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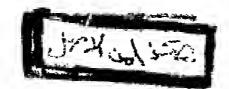
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FINANCIALTIMES



Hotel mergers

Driven by a travel boom

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World Business Newspaper http://www.FT.com



Russia

New threats require a new response

Personal view, Page 18

Today's surveys

Investment Banking Property Finance

Separate section & Pages 29-31



Weekend FT Taking care of business

FRIDAY JANUARY 31 1997

The FT at Dayos

FORUM

 Leaders from government, business ECONOMIC and the academic world are in Davos. Switzerland for the annual meeting of the World Economic

Forum, Starting today, a special half page of news and analysis from this important summit.

Tripartite panel on Nazi gold

may reconvene The Tripartite Commission on Monetary Gold met in Brussels to consider growing pressure to reconvene its 1946 agreement. UK and US representatives have already agreed informally not to distribute any more of the 5.5 tonnes of gold it still holds to central banks looted by the Nazis until it can be determined that none of the gold came from individual victims. Page 2

Hennes & Mauritz, the Swedish fashion retailer, is to open e further 50 outlets this year as it pursues a growth trail that has made it the hotiest stock on the Stockholm bourse. The company plans to enter the French market in

Madir aide set free: Elizabeth Forsyth, former aide to Asil Nadir, walked free after the Court of Appeal in London in effect quashed her five-year jail sentence for laundering money stolen from the Polly Peck empire. Page 8

Suharto linked to sale of mining stake



Bakrie & Brothers, an Indonesian conglomerate, has agreed to sell its indirect stake in Freeport Indonesia, one of the world's largest copper and gold mines to an investment company linked to President Subarto, left. The sale comes only two weeks after founder Mr Aburizi Bakrie said the

company would not divest the stake. It denied any political pressure to make the sale. Page 20

Hopes for flu pill: Researchers at Gilead Sciences, a California biotechnology company, have raised hopes that a pill could eventually cure or prevent influenza. In animal tests, symptoms disappeared within 24 hours, with no harmful side effects. Page 20

Albanian tension: Vehbi Alimucaj, founder of the VEFA Holding conglomerate, claims investments from bitamen mines to helicopters, and plays the part with his Mercedes-Benz and Lear jet. But many observers think VEFA is at the heart of the pyramid schemes that have brought Albania to the brink. Page 20

Save the caviar. The five nations on the Caspian Sea have agreed a \$150m fish-farming programme to save the caviar-producing sturgeon, Russia, Iran, Azerbaijan, Kazakstan and Turkmenistan may also ask for funds from the oil companies operating in offshore fields.

Order sought on nuclear waste: The US nuclear power industry is asking a federal appeals court to force the Energy Department to begin disposing of radioactive waste next year. The industry also wants to halt its payments into a fund for nuclear waste storage.

France boosts Latin ald: France's finance minister Jean Arthuis signed two agreements with the Inter-American Development Bank to increase aid to Latin America. Besides development loans and grants, it will start a technical fund with a grant of FFr20m (\$3.6m).

Airline moves: A senior official of the Russian air carrier Transaero said Trans World Airlines has reacted positively to a takeover proposal. Meanwhile, the ailing Belgian airline Sabena denied reports that Swissair plans to shut it down and sell it off in pieces.

Bulgarian cach rush: Crowds gathered outside banks in Sofia, Bulgaria, hoping to exchange their savings for dollars - or any money that would not go into free-fall like the increasingly worthless leva. Bus and tram stations were practically empty as transport workers staged a warning strike.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

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O THE FINANCIAL TIMES LIMITED 1997 No 33,204

EU looks at air slots deal Russian diamond By Caroline Southey In Brussels proposes time limit compromise

Bruseels and Michael Skepinker in London

The European Commission is considering a compromise on the thorny issue of airport take-off and landing slots by limiting the time airlines can hold such slots in return for allowing them to be bought

Airlines hold the slots in perpetuity, giving them so-called "grandfather rights". The controversial proposal has emerged as a possible solution to a stand-off between Mr Neil sale of slots. Kinnock, the European commissioner for transport, and Mr Karel Van Miert, commis-

charge, but many sell them on had been clarified. a grey market, Mr Kinnock is lieved to have been planning to legalise these sales but was forced to postpone tabling his proposale because of opposi-

An EU official said Mr Kinnock might agree to limiting "grandfather rights" as a quid pro quo for Mr Van Miert accepting the principle of the EU officials said yesterday.

tion from Mr Van Miert

however, that a compromise would probably be postponed sioner for competition, over until the future of e proposed

lines receive their slots free of ways and American Airlines

"We will wait until we see the final outcome of the BA-AA deal before we come forward with the proposals. It would seed a wrong signal if we pressed ahead in the middle of the case," an EU offi-

Postponing a decision could raise difficulties for the proposed alliance, under which the two airlines are likely to have to give up slots at Londoo's Heathrow airport. The UK government has said the alliance can go ahead if BA

legalising the sale of slots. Air- alliance between British Air- and American give up 168 weekly slots. The airlines would have to give away 98 of these permanently, with the remainder leased to rival airlines on transatlantic routes.

BA says it should be able to sell the 98 slots - a move which the Commission says is oot allowed under existing rules. Rival airlines say they should receive them free and that BA and American should have to give up many more slots to ensure they do not have an overwhelmingly strong position on UK-US routes.

Sir Michael Bishop, chairman of British Midland, big-

gest bolder of Heathrow slots after British Airways, yesterday called for slot sales to be legalised. But he criticised Mr Van Miert for ignoring the effect of the BA-American alliance on competition within Europe.

Sir Michael said that if BA and American were forced to give up more than 168 elots, the majority of additional slots should be made available for intra-European rather transatlantic flights, Allowing all the slots to be used on UK-US routes would create intense competition across the Atlantic without benefits to air travellers within Europe.

Samsung acts to remedy fall in profits

By John Burton in Seoul

South Korea's Samsung Electronics, the world's largest producer of computer memory chips, yesterday said it was reducing output of its 16-megabit chip in an attempt to improve sagging profits.

Reduced supply of the 16megabit chip is viewed as the prelude to Samsung increasing production of the higher-valued 64-megabit D-rams, in which it is one of world's leading producers.

An 80 per cent drop in the global price of the 16-megabit dynamic random access memthe Won2.500bn (\$2.9bn) profit it reported in 1995. The decline in chip prices contributed to South Korea's record current account deficit of \$23bn last year. Semiconductors account for almost 20 per cent of Kor-

ean exports.
Other main Korean chip-makers, including LG Electronics and Hyundai Electronics, are expected to follow Samsung's decision in an attempt to increase the price of the 16-megabit chip. Korea accounts for about 30 per cent

with Japan, Taiwan and the US providing most of the rest. Samsung denied rumours it was taking the action in response to pressure from the

seeking to reduce the current account deficit. Samsung said it had been gradually reducing production of the 16-megabit chip since the third quarter of last year. Spot prices for the chip have

risen from \$6.25 to \$8 this

Seoul government, which is

Analysts estimate that Samsung will reduce production of 16-megabit chips from 20m ory chip (D-Rams) last year is units to 14m-15m units a expected to reduce Samsung's month while boosting the sununits a month from 700,000. Samsung is planning to increase production of nonmemory chips, which have higher profit margins and a more stable market than D-rams.

> Doubts remain about demand among computer makers for the new-generation 64 megabit chip because of the cheap availability of the 16megabit chip. Samsung is

Continued on Page 20



Tushar Gandhi, great grandson of Mahatma Gandhi, founding father of modern India, releases the last of his ashes into the Ganges at Allahabad on the 49th anniversary of his assassination. Editorial Comment, Page 19 Most of Gandhi's ashes had been scattered thronghout India, but some remained in a bank

diamonds may run out, warns watchdog

By Kenneth Gooding. Mining Correspondent

Russia's diamond stockpiles will run ont by the middle of next year if sales from the stocks continue at the present rate, eccording to e parliamentary watchdog.

The Russian Accounting Chamber, which plays a role similar to that of the US General Accounting Office, the congressional spending watchdog, has called for an immediate halt to sales, according to a report today in the Diamantaire newsletter, published by the CRU International consul-

The move will add to a growing impression among western diamond traders that there might be shortages of some rough, or uncnt, diamonds before 2000, and that prices of some gem stones will

Mr James Picton of Standard Equities, the Johannesburg stockbroker, suggested at the Financial Times diamond conference last October that Russian stocks might run out by 1998 and shortages of diamonds develop by 2000.

The size of the Russian diamond stockpiles has remained a state secret.

Diamantaire reports that the Russian budget authorised sales from the state diamond and gold stocks of Rbs4.6 trillion (\$1.5bn) for 1995. Actual sales reached Rbs13.3 trillion, bowever. The report also urges Rus-

sian diamond cutters to stop sending gem stones abroad for processing. De Béers, the nth African group organises the diamond producers' cartel, bas complained in the past that this route has been used for the unofficial export of diamonds to the west. The chamber says the Russian industry was supplied with \$1.4bn of diamonds from the stocks in both 1994 and 1995 and more than \$900mworth was sent abroad for pol-

Analysts said vesterday that members of the Accounting

Continued on Page 20

Alcatel shares in surge as revamp starts to pay off

By David Owen in Paris

Shares in Alcatel Alsthom soared more than 15 per cent on the Paris stock exchange yesterday after the French telecoms and engineering group released figures indicating that a sweeping restructuring programme launched in 1995 was starting to pay off. The company said it expected operating income in 1996 to exceed FFr2.7bm (\$480m) more

than four times the comparable 1995 figure of FFrecom. Nat income after taking into account exceptional items should amount to FFr2.5bn. In 1995, the group reported the biggest loss in France's

corporate history - FFr25.6bn - after including more than FFr23bn in exceptional provisions and depreciation charges for the restructuring programme launched by Mr Serge Tchurok shortly after he took over as chairman. The rise in the Alcatel share price, which closed ahead

many strong performances on a landmark day for the Paris stock market. Stronger than expected

FFr70.30 at FFr523, was merely

Alcatel Alsthom Share price relative

to above 2,500 for the first time. The index ended the day ahead 1.54 per cent at 2,503.06 after peaking at 2,505.51 in the afternoon. Volume reached

Analysts said the main effect of the Alcatel figures was to reinforce the credibility of the group's recovery programme, in doubt after a FFr400m firsthalf net loss.

The figures confirmed the the most noteworthy among confidence I had that Mr Tchuruk would deliver," said Ms 1996, up from FFr66.9bn the Angela Dean, technology analyst with Morgan Stanley in results from large French com- London. "I think for some peopanies and further advances ple it is a turning point. It on Wall Street helped propel shows that when he talks

LORDON - LEEDS - PARIS - FRANCISKT - STOCKBOLM - MADRID - NEW YORK - LOS ANGELES - TOKYO - HONG KURG

indicated the group was suc-ceeding in repositioning its core telecoms business away from relatively sluggish markets for switching equipment to fast growing areas such as mobile telephony and transmissions.
The company, which

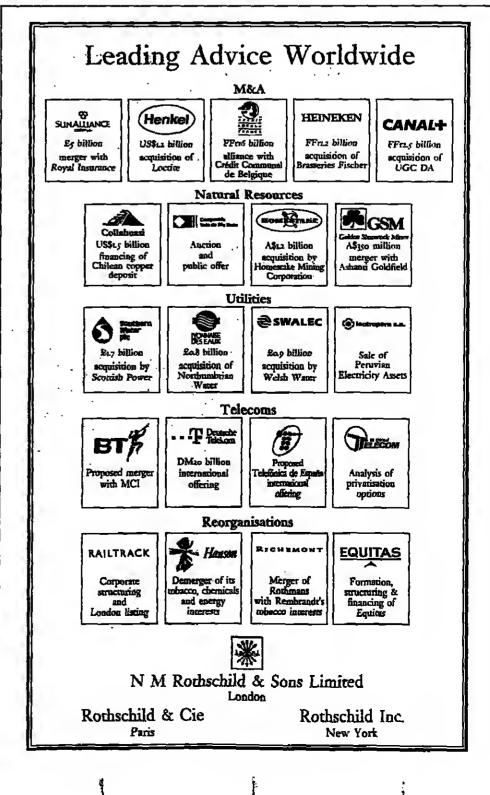
remains a likely bidder for the Thomson-CSF defence electronics business said its 1996 sales were little changed from year-earlier levels at FFr162bn. Orders, however, were up 8 per ceot to FFr168.2bn, reflecting an improvement in business Telecoms orders were partic-

ularly strong, registering a 21 per cent advance after what the group described as "a stgnificant flow of contracts". This helped the unit, as expected, to make a positive contribution to operating income in the second half. This followed a first half operating loss of FFt1.1bp.

A breakdown of sales also released by the group indicated that the telecoms division contributed FFr71.2bn in previous year. The next largest contribution came from cables - down from FFr40.7bn to

World stocks, Page 41

the benchmark CAC 40 index about targets he delivers." CONTENTS Share Information __ 38-38 FTSE Actuaries . Arts Gide



3

Prodi in dairy farmers

By Paul Betts in Milan

The Italian government vesterday rushed through a package of measures to support the milk sector in an effort to quell two weeks of protests by dairy farmers.

The meaaures were announced on the eve of today's deadline for payment of European Union fines totalling L370hn (\$233m) hy farmers who hreached milk quotas in

The government is to set up a special commission to investigate the application of milk quotas in Italy. It will also grant milk farmers soft loans with 2.8 per cent interest to belp them pay the fines, as well as financial incentives to cull cattle.

More significantly, the government said farmers would have to pay only 25 per cent of their fines imme diately with the halance after the commission has reported back to the government in 50 days. However, this proposal has yet to be approved by the EU agricultural authorities and could lead to tensions hetween Brussels and Rome.

Mr Romano Prodi, the prime minister, yesterday appealed to farmers to lift their road blocks, which bave caused problems at Milan's Linate airport and Venice airport. He insisted that the government could not pay the fines as it has done in past years because of EU rules. But he added his government would seek an increase in Italy's annual milk qnota of 9.9m toones since the country imports at present more than 6m

The farmers, particularly in the oorth where overproductioo is bighest, have been backed by the separatist Northern League movement, which is using the protests to try to regain political

Mr Umberto Bossi, the League's presideot, has even gone as far as offering to send his "green shirt" troops to help farmers who have been forced by the police to end their airport blockades. At Linate airport there were angry scenes this week between farmers and police.

Alitalia, the Italian airline, has demanded compensation from farming organisations for losses in passengers and revenue. It said the protests were costing it around L a day in lost revenues.

 The Italian cabinet yes terday approved draft legislation to reform the system of bank ownership through foundations in order to speed the process of privatisation. writes Rohert Graham in Rome.

Once endorsed by parliament, the government will have 90 days to redraw the legal and fiscal status of hank foundations to make it easier for them to sell off their stakes in the baoks themselves. By offering big tax breaks for selling their bank stakes, the aim is to turn the foundations ioto oon-profit-making institutions involved mainly in social projects.

The foundations were created at the beginning of the 1990s as an interim measure to allow the banking system. largely in the control of the public sector, to be modernised and freed of political control. However, the foundations have proven to be a block on privatisation, sinre their generally unanswer able politically appointed hoards have continued to control the hanks at arm's

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Court rejects 19 out of 30 proposals Political parties welcome decision

deal with Italy trims referendums plan

By Rnbert Graham in Rome

Italy's constitutional court yesterday rejected 19 out of 30 proposals for referendums, including one abolishing the residual element of proportional representation in the electoral system.

The decision was greeted with relief hy the main political parties. If the abolition of the remaining 25 per cent proportional representation had been accepted, it would have interfered with the work of the constitutional reform commission.

The court also threw out

the two most controversial referendums - one to liberalise "soft" drugs such as marijuana and the other to demilitarise the Guardia di Finanza, the financial police. But tt passed a referendum proposing an end to the practice of the treasury holding a "golden share" in privatisations. If approved, this would remove the remaining

privatised companies Mr Marco Pannella, the indefatigable Radical leader who in 1974 initiated the referendum as a means of social and political reform,

direct government control of

reacted angrily, claiming cit-izens' rights were being ignored. He accused the court of riding roughshod over 12m Italians who had signed petitions for the reforms.

Mr Panella's reformist

movement last year collected signatures for 18 of the referendums admitted for consideration hy the constitutional court. The remaining 12 were organised by a group of regional governments. Of those admitted yesterday, six were sponsored hy Mr Pannella's movement and the rest hy regions.

The court had been under pressure to take a stand on the number of proposals submitted, after criticism that 30 separate issues to he voted on the same day was abuse of the electorate. The previous record was 12 separate issues in 1995.

The electoral turn-out in

referendums has bean declining, with only 57 per cent of the electorate voting in 1995 compared with 76 per cent two years previously. Those referendums admitted are likely to be voted on m spring. The most controversial is likely to be that

seeking to abolish the power ful order of journalists which operates a closed ahop on the profession. The most heated social issue is likely to be the proposal to curtail the vociferous hunting lohby by barring hunters from private property without tha owner's permission.

Even if the referendums are approved, there is no guarantee the spirit of the proposals will be respected. The referendums only abolish existing laws. It is then up to parliament to introduce replacement legiala-

France approves plan to compensate Nazi victims

By Andrew Jack in Paris and Norma Cohen in London

The French government has given approval in principle to compensating victima of Nazi persecution using money which is distributed by the Tripartite Commission on Monetary Gold, the body set up to manage gold seized from Nazi coffers after the second world war.

The Elysée confirmed last night that it had agreed to proposals from Rabbi Ahraham Cooper of the Simon Wiesen thal Centre to modify the system by which the commission in the post-war years has distributed gold in compensa-

tion to countries.

He has called for the remaining 5.5 toones held hy the commission to be distributed to individual Jewish and non-Jewish victims of the war, not to national governments in accordance with its existing practice.

The news came on the day that the

Tripartite Commission met in Brussels to consider growing pressure to change the 1946 agreement which is governed

jointly hy the UK. France and the US. Rahhi Cooper indicated that the UK had already given its support for his proposals in the past few days and next week would seek a formal commitment from President Bill Clinton, whose aides have already indicated their support. "It's two down and one to go after

today," he said. The French decision comes after Mr Alain Juppé, France's prime minister, said last Saturday he would set up a commission to consider the assets appropriated from Jews under the Vichy regime during the war.

Rabbi Cooper said France had a claim for 2 tonnes of the remaining gold held hy the commission, which it believed should be earmarked for individual victims, although a final decisioo would have to he taken hy the ministry of foreign affairs and the min-

istry of economics and finance. International experts have advised

Britain that even if some of the gold held hy the commission came from individual victims, the claims of the various central banks could be ignored The commission would therefore have to seek permission from claimant nstions to forgo their share. Alternatively, claimant nations could be per-

suaded themselves to distribute a portlon of the gold to Jewish and non-Jewish Nazi victims The Elysée was more reticent about Rabbi Cooper's other demand, that the commission open tts archives - which under present rules remain sealed until 2031 - to an independent group of researchers to examine the conditions hy which money has been handed out in the past. The Elysee said it was willing to open its own archives in the

search for assets, and suggested access to the commission's records should be

EU ministers open fire on tax poachers

France and Germany believe it is time for Europe to curb beggarmy-neighbour tax rivalries

r Mario Monti, the nue, increase pressure for cerebral Italian commissioner wbo handles the European Union's single market, fell

victim to a hijack this week. The incident took place in front of witnesses at a tele vised session of a meeting of EU finance ministers in Brussels. The perpetrators were Mr Theo Waigel, Germany's finance minister, and Mr Jean Arthuis, his French counterpart.

The French and German ministers called for a code of cooduct to stop unfair tax competition among the 15 member states. Their proposal surprised many people. notably Mr Montl, who had been nurturing the same ldea for the past three

day's Ecofin meeting is that fiscal policy has emerged from a long spell in hibernation. Mr Monti, who anticipated the change in mood last year with his creation of a high-level group on taxation policy, helieves there are several explanations.

ment crisis is forcing governments to confront the contradictions between national tax and labour market policies. Between 1983 and 1984, the tax rate on employed lahour in the EU rose hy about 20 per rent: but it fell the self employed, energy. and assets such as huildings. Secondly, excessively

months. The lesson from last Mon-

First, Europe's unemploy-

higher taxes, and undermine the single market. Though there is no accurate measure of such "fiscal

erosion", the Paris-based Organisation for Economic Co-operation and Development identified the scope for misallocation of resources last year. Thirdly, EU member states

are scrambling for every franc and pfennig to meet the budget deficit targets for economic and monetary union, due to be launched in 1999. Germany is especially irked hy the seepage of revenues to neighbouring Luxembourg where thousands of Germans are parking their savings to take advantage of the Grand Duchy's lack of

withholding tax. As a result, Mr Waigel, who has just forecast that Germany will barely meet the Maastricht treaty's deficit target of 3 per cent of GDP in 1997, announced he would unveil a paper next Arthuis agreed it was time to act. "Unless we deal with tax poaching, we will shake the foundations of Europe."

Mr Monti is an optimist about tax reform. But he still wants to fight the battle in the realm of ideas. And he has avoided tackling head-on the most important barrier to tax reform: the need for hy more than 10 per cent on unanimity on fiscal matters factors of production such as io the decision-making Council of Ministers. Thus, Mr Monti has

avoided confrontation with favourable tax regimes can the three countries with the encourage "heggar-thy- most reservations about an neighbour" policies which EU-wide tax regime: the UK, deprive governments of reve- Ireland (which offers generTax on production . 92

ous tax breaks to attract for- whether countries in the eign investment), and Lux- planned single currency embourg (though Mr Jean-Claude Juncker, prime min- closely on tax and social ister, made clear again this week that the Grand Duchy is willing to phase out withholding tax exemptions as part of a far broader fiscal package).

Implicit tax rates*

Mr Monti believes the single market is one of his greatest weapons in the coming debate. Next month, the Commission intends to bring forward a draft directive on taxation of energy products next month. But the real test of political will is the proposal for a new common VAT regime which is hlocked in the Council of Ministers.

Some colleagues are unhappy ahout Mr Mooti's easy as-she-goes approach to tax reform. Mr Yves-Thibault de Silguy, the French commissioner for monetary month oo tax policy. Mr affairs and the man charged with selling the single currency to the European public. is trying to force the

> Mr de Silguy suspects that countries in the future Emubloc will, willy-nilly, move toward greater fiscal harmonisation. Some economists disagree, arguing that countries who renounce control over their monetary and exchange rate policy will continue to oeed tax flexibilthat there is a need to define the rules of the post-Emu game.

A fortnight ago, he announced a study into

zone could co-operate more security. He noted that the review would form part of the debate in the EU's intergovernmental conference (IGC) on "flexibility" wbereby some countries can press ahead with integration witbout being beld back by others.

As Mr Monti quickly recognised. Mr de Silguy's Emu-led approach undercut his own effort to reform taxation policy within the confines of unanimity. It also risked scaring off countries such as the UK or Italy who seem unlikely to be among the founder members of

A further obstacle is that Maastricht stipulates that countries which take part in Emu cannot raise extra harriers against those outside who want to join the single currency at a latar date unless of course the Emu participants act outside the EU treaty.

Thus, the new debate on EU tax policy mirrors the wider discussion on how far Emu will act as a catalyst for integration among 15 or more members, or among an elite advanre guard led by the French and Germans. Mr Monti, conscious of Italy's ity. Mr de Silguy helieves role as a founder EU memher, inteods to make his voice heard in the coming months.

Brussels may face 'mad cow' censure

By Neil Buckley and Caroline Southey in Brussels

The European Commission could face a censure motion in the European Parliament next month unless it accepts the conclusions of the parliamentary inquiry into the mad cow" crisis and guarantees rapid reforms.

Mr Reimer Böge, chairman of parliament's BSE inquiry committee, said attitudes were hardening among inquiry members and other MEPs as the Commission continued to deny charges it had mishandled the affair.

MEPs were angered by the attitude of Mr Jacques Santer, commission president, when he appeared hefore the inquiry this month. Mr Santer rehuffed accusations in the committee's draft report that the Commission put the interests of the beef industry above human health.

Mr Böge said parliament's tactics would hinge on the Commission's immediate response to the inquiry's final report, when it was presented to parliament in Strasbourg on February 19.

If the Commission responded "sufficiently positively," It would be given six months to implement reforms, including separating responsibility for agriculture and consumer matters, setting up a food safety agency, and reorganising sclentific committees. If it failed to implement the reforms within the deadline. MEPs would push for a cen-

sure motion. Mr Boge said the response bad to include acceptance of responsibility for errors. If the Brusseis executive's initial reaction to the report was negative, MEPs would "demand an immediate censure". He was confident of getting the 63 signatures required. "We want a clear signal the commission will co-operate with the parliament, with changes as recommended by the inquiry,"

Mr Böge said. A censure motion, which if it gained the occessary twothirds majority would force all 20 commissioners to resign, is parliament's ultimate sanction. Such a motion has been tabled sevcral times, but always with drawn or defeated.

The dominant Socialist group, with 215 of 626 MEPs. this week narrowly supported the Idea of a "conditional" censure motion against the Commission. demanding action within a ccrtain period. But it rejected immediate censure.

Separately, Mr André Laignel, a French Socialist inquiry memher, is calling for the UK to reimburse the EU for the Ecul.64bn (\$2hn) spent out of the Union hudget last year on dealing with the beef crisis. This "would reflect" the inquiry's conclusion that the UK, not the Commission, bore primary Lionel Barber | responsibility for the crisis.

FUROPEAN NEWS DIGEST

New trial for Berlusconi

A year-long corruption trial of Mr Silvio Berlusconi, former Italian prime minister, was declared null and void yesterday and will start again from scratch. The trial of Mr Berlusconi and others was thrown into

disarray earlier this month when Judge Carlo Crivelli stepped down in a row over allegations of bias. The Milan court president, Mr Filippo Lo Turco, said he had accepted Mr Crivelli's request to withdraw from the trial, which he ruled will now re-start on February 5

under a new presiding judge, Ms Francesca Manca.

Mr Berlusconi, who leads the opposition centre-right Freedom Alliance, has denied charges that he and others in his Fininvest husiness empire paid bribes to tax inspectors between 1989 and 1991 to obtain favourable audits of company books.

Mr Crivelli's resignation followed an attempt by Mr Berlusconi, his brother Paolo and two other defendants last October to have him removed from the bench on

grounds of partiality. Their application was based on a private exchange between Mr Crivelli and a prosecutor in which tha judge spoke of a "carrot and stick" spproach to the trial. An appeal court rejected the suit hut ruled the remark showed a "serious lapse of style".

Telecoms probe extended

The European Commission confirmed last night that it would extend its investigation into the proposed merger between British Telecommunications and MCI for four

The inquiry into the impact on competition of the \$20bn deal will focus in particular on whether the tie-up will damage competitors on the UK-US route hy cutting their revenues. It will also examina whether the new merged company could divert US-European traffic through the UK in a way not open to its European competitors, and whether it would affect the availability of transatlantic

cable capacity to new entrants. The Commission also said the impact of the merger on the teleconferencing market would have to be scrutinised, given the size of the companies. Emma Tucker, Brussels

Paris firm on nuclear role

The French government yesterday denied any change in its nuclear doctrine after Mr Volker Rühe, Germany's defence minister, claimed that France had "for the first time" accepted the "decisive" nature of Nato's US nnclear

The controversy centred on the statement in last month's Franco-German defence paper that "the supreme guarantee" of the alliance's security is its "nuclear forces, in particular those of the US", to which "the independent forces of the United Kingdom and France, which fulfil a deterrent role of their own, contribute".

French opposition parties accused President Jacques Chirac of kowtowing to the US. The row is is likely to increase the pressure on Mr Chirac to win concessions from the US on Europeanising Nato commands in time for the Nato summit in July.

French ministers and officials scrambled yesterday to contradict Mr Rühe's claim, saying France had signed similar Nato declarations as long ago as 1974 and as David Buchan, Paris recently as 1991.

French confidence rising

French business confidence appears to have picked up sharply this month, in a development that will come as a relief to the bard-pressed government. . .

The monthly industrial survey conducted in January by Insee, the national statistics institute, and published yesterday, indicated that, whila recent output levels had been weak, expectations of future French industrial production volumes had turned markedly higher.

Tha survey appears to provide some justification for the relatively upbeat assessment of the country's economic prospects in 1997 recently given by some ministers. Mr Jean Arthuis, finance minister, recently said his previous prediction of 2.3 per cent growth should be "considered as a minimum". Yesterday's survey findings appeared as the Bank of France announced it was shaving another 0.05 percentage points from its intervention rate, reducing it to 3.10 per cent. The rate had been unchanged since last David Owen, Paris

Strike disrupts trains

French railways were severely disrupted yesterday as many rail workers held a one-day strike in protest at the creation of a rail track company which they believe will lead to joh losses

The SNCF state rail company said around a third of its 180,000 workforce responded to the strike call, which coincided with parliamentary debate on the government bill to hive off FFr135bn (\$24.4bn) of SNCF debt into a new infrastructure company to be known as Résean Ferré de France (RFF). Though traffic was unaffected on Eurostar lines to Londoo and Brussels, other services were one to two thirds of normal levels. David Buchan, Paris

Irish wage pact backed

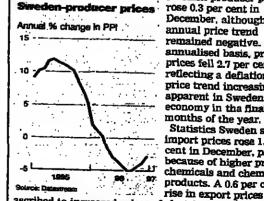
Irisb trade unions yesterday voted to back a new three-year wage pact, which envisages increases of 9.25 per cent over that period for public and private sector. workers, and tax reductions of l£1bn (\$1.6bn). The Irish Congress of Trade Unions, the umbrella organisation for public and private sector unions, voted

hy 217 to 134 to aupport Partnership 2000, which was

initialled before Christmas hy the government, the unions, industry and farmers. The latest deal is based on an inflation target of just over 2 per cent over each of the next three years - within the criteria for participation in the European single currency. The Irish Business and Employers Confederation this week endorsed the deal, which it said gave reasonable pay increases while protecting industry's

ECONOMIC WATCH

Swedish producer prices up



competitiveness.

December, although the annual price trend remained negative. On an annualised basis, producer prices fell 2.7 per cent, reflecting a deflationary price trend increasingly apparent in Sweden's economy in tha final few months of the year. Statistics Sweden said import prices rose 1.3 per cent in December, partly because of higher prices of chemicals and chemical products. A 0.6 per cent rise in export prices was ascribed to increased prices of electrical and optical

John Murray Brown, Dublin

Swedish producer prices

goods, and of petroleum products. Prices of Swedishproduced goods for the home market were unchanged in December and fell 1.1 per cent year-on-year. The rises in import and export prices were on average 0.2 points ahead of market expectations. Greg Mcloor, Stockholm

Spain presses home ambitions

By Ralph Atkins and

Spain yesterday pressed home its amhitions to be in the first wave of European economic and monetary union members. But at a meeting in Bonn of the two countries' leaders, Mr José Maria Aznar, Spanish prime minister, was given nn encouragement that the entry rules would be fudged. Germany Chancelior Helmut Kohl said decisions on which countries would ioln the single currency on the date would he taken in

line with criteria set out in the Maastricht treaty. He followed "with great sympathy", however, the efforts Spain was making to qualify for Emu and in all areas of

European policy. His comments came amid strong pressure from German industry and Mr Knhl's political allies in Bonn to insist entry had to be strictly hy the rule book. Mr Aznar said Spain had a "good hope" of meeting the criteria and there was nn possibility of reversing the country's policies of discipline, rigour and deficit control. The Spanish prime minis-

spring next year - and in ter's enthusiasm for Emu, group, sister party of Mr

however, has raised German fears Spain may come close to fulfilling the requirements and put Bonn in a dilemma. If any country is given spefavours it would he politically difficult to persuade a sceptical German public to accept Emu and keep nut nations such as Italy, which are keep to join but will not precisely meet the Maastricht terms.

"There is no choice. There

is no way out. There has to

be a very strict positino on the criteria," said Mr Chria-

tian Schmidt, foreign affairs

spokesman for the Christian

Social Union's parliamentary

Kohl's Christian Democratic GDP this year - exactly in Union. That would in turn put pressure on the Boon selves problems fulfilling the requirements, and we will have to make tremendous efforts in the budget year 1997.7 Mr Schmidt said. Germany has been stress-

ing that the long-term stability of economic and monetary union is paramount. reflecting German worries that the eurn will he less resilient than the D-Mark . Mr Rndrign de Rato. Spain's ecoonmics and finance minister, Inrecast

line with the maximum allowed under Emu rules government: "We have our and the ratio of debt to GDP "will he falling towards the 60 per cent Maastricht limit".

However he risked exacerhating Germany's concern bership of the first wave of single currency members "a the prospect of Germany having to accept monetary union containing as initial members a swathe no southern European countries - or delaying it until suffi-Spain's public sector deficit clent members meet the criwould fall to 3 per cent of teria to the letter.

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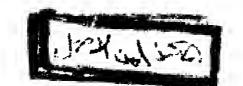
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puct backed

By Lionel Barber in Brussels and Anthony Robinson in London The European Commission yesterday offered Bulgaria a "substantial" financial aid package on condition its leaders resolve the political crisis which has brought the former communist country to the brink of default on its external debt. The Commission offer followed an

appeal for assistance from Mr Petar Stoyanov, the newly installed Bulgarian president, who was in Brussels for talks with EU and Nato officials.

Unofficial estimates suggest that up to \$500m could be raised among the Group of 24 countries involving the EU, US, Japan and other advanced industrial economies.

But neither the EU nor the US plans an international aid effort until Bulgaria's political parties agree on early elections and lay the basis for an economic stabilisation plan backed by the International Monetary Fund

Post-communist Bulgaria has already of-payments assistance from the EU, and around \$240m from the Phare fund for restructuring the economy.

Package conditional on Bulgaria ending political crisis

Brussels offers Sofia aid

Bulgaria is one of 10 east European countries that have applied for EU membership bnt is considered an "exceptional case". Commission officials discussed extra aid through the Phare programme to compensate for its likely absence from the first wave of new members.

Mr Hans van den Broek, the EU's external relations commissioner, said political parties in Bulgaria had to create conditions where economic reforms would succeed. "We must create calm and confidence in the international financial community." It was vital Bulgaria saw "eye to eye" with the IMF. Mr Stoyanov, on his first visit to the west since assuming the presidency, warned that Bulgaria faced financial

collapse and might have to default on

debt repayments due later this year.

The country had not received proper received more than \$300m in balance- recognition for its sacrifices in complying with international economic embargoes against former Yugoslavia and Iraq, he added. The visit took place against the back-

ground of continuing strikes and demonstrations in many Bulgarian cities and a further collapse in the lev, which closed last night at 1,530 to the dollar, a loss of 50 per cent in a week. Discounted Brady bonds also dropped sharply as the market digested

the Socialist party's insistence on trying to form a government and the president's remark that default was a possi-

The markets see Bulgaria as racing against time. Traders fear time wasted forming a probably short-lived Socialist government could make it impossible to introduce the IMF-supported currency board which is needed to attract foreign financial aid and boost reserves before for the next \$135m Brady bond payment deadline in July.

Crisis in Czech health service

By Vincent Boland in Prague

NEWS: EUROPE

A financial crisis gripping the Czech Republic's state bealth service was starkly exposed this week when the country's two biggest public hospitals were forced to seek protection from creditors owed large sums in unpaid drug bills.

The two hospitals, the General Medical Faculty and the Motol Faculty hospital, both in Prague. owe an estimated Kc 1bn (\$36m) to pharmaceutical companies but are unable to pay them because the charges they levy on health insurance companies - which pay the medical bills of patients - do not cover running costs.

The hospitals bave been given a three-mooth stay of execution while they try to straighten out their finances. Mr Jan Stráský, health minister, refused to pay off their debt and blamed hospital

accounts. . They are to be put under ministerial scrutiny while they sort out their finances. prescriptions and medical procedures will be limited, and new investment will be frozen. Mr Stráský indicated the government might then consider providing financial relief, which bospital admin-

ing for some time. The hospitals' plight is the latest sign of mounting problems within the public health service, in a country where time off to visit one'e doctor is as sacred e right as holiday leave. Other hospitals are thought to owe an additional Kc 3.5bn to phar-

istrators have been demand-

maceutical companies. The medical insurance system, under which employees and employers pay a combined 13.5 per cent contribution, is unable to cope with

bealth service.

The system is undergoing companies. There is general agreement that the service's most acute problem is overcapacity. The Czech Republic has one of the highest rates of physicians to patients in the world, estimated at one for every 97 people in 1992, compared to one for every 150 in Germany and 1 for every 335

people in France. the lowest paid workers. some making as little as Kc 5,000 (\$180) a month. The average Czech wage is about

management for failing to rising costs under a fee-for- Kc 9,200 a month. Demands control costs or keep proper service billing system that for higher pay have been rewards hospitals in propor- rejected while a thorough tion to the number of review of the health service patients treated. In addition is undertaken with the aim the government spends of slashing the number of about 8 per cent of gross beds and employees, but so domestic product on the far no long-term strategy has been forthcoming.

The government is also a severe rationalisation fol- under budgetary pressure to lowing the hankruptcy of restrain public sector wages several of the insurance and is this week facing down a etrike by teachers also unhappy with wage levels.

Parts of the bealth service bave been privatised, but many people cannot afford the high charges levied by new private clinics, and there is so far little emphasis on the promotion of better health. The cost of drugs bas also soared, with claims by the country's pharmaceuti-Doctors are also among cal industry that many bospitals favour expensive western medicines over cheaper. and equally effective, locally produced drugs.

Ukraine tilting westward

Kiev is emerging as a potential ally as Nato mulls expansion - but how will Russia react? Matthew Kaminski reports

soms emerged in the spring of 1994, Washington gave an upstart Ukrainian politician a cold welcome.

Mr Leonid Kuchma, a defeated politician on a shoestring budget, found it hard to get an audience. The White House ruled out a meeting with the president and farmed him out to the Pentagon, where junior aides grilled the former prime minister about his views on give up its nuclear arsenal.

However, Vice President Al Gore did make time to see him and when Mr Kuchma surprisingly won his country's presidency three months later, Mr Gore was his first foreign visitor, advising him how troubled Ukraine could put its house in order and pledging US support. Ukraine became a US priority and the warm relationship between the two countries led to a change in the strategic outlook for eastern Europe.

Last year Ukraine over- rooted in our vital interest of US interest and support foreign assistance, after Egypt and Israel.

With a population of 52m, potential western ally just as move eastward without inviting a harsh Russian reaction. Ukraine, to borrow from a recent book title, may be "the keystone in the arch" in this process.

Mr Zbigniew Brzezinski, Ukraine's commitment to the former national security adviser who has helped change US policy toward Ukraine, believes an economically revived and sovereign Ukraine reduces the chance that Russia could again becoma a great power. The stakes were raised earlier this month when

Russian president Boris Yeltsin called for a referendum on unification with Belarus, which was interpreted as a response to Nato expansion. Belarus borders Poland, which wants to join Nato. "Our ties with Ukraine are

took Russia to become the in the emergence of a stable for re-invigorating reform." third largest recipient of US central and eastern Europe said a senior US official. The well beyond the borders of Nato," said Mr Sberman Garnett, a former US deputy Ukraine is emerging as a under-secretary of defence.

Mr Kuchma, say US offi-Nato is planning how to cials, has vindicated their support. Basic, if flawed, economic reforms heve ended hyperinflation. Ukraine'e nuclear missiles are gone and Kiev has ratified the Nuclear Non-Proliferation Treaty. The threat of conflict in the Crimean peninsula, Ukrainian territory with a majority Russian population, has partly receded since Mr Kuchma cracked down on local separatists.

> The US focus remains on improving the country's economy as a guarantee of its viability as an independent state. The US Treasury last month helped put together \$3.5bn in foreign aid pledged for 1997. Its lobbying at the International Monetary Fund goes a long

"It is a major commitment

US envisages three more years of foreign support, after which Ukraine should manage its finances alone,

The friendly welcome its leaders receive in Washington has tilted Ukraine's foreign outlook distinctly westward. Mr Hennady Udovenko, foreign minister, calls the US his country's chief "strategic partner". Mr Volodymyr Horbulin, security council chief, said this month in Brussels that he would like to see Ukraine in Nato by 2010.

Kuchma, in

Poland last week, relterated that Ukraine seeks "integration" with central and western Europe, short of membership in its select institutions. Until last year Kiev adopted a neutral line, balancing Russia and the west. Mr Kuchma used to call Russia Ukraine's natural ally. Developments in Russia



Friendly relations: President and Mrs Clinton wave to crowds in Kiev on a 1995 visit

have changed that: the to Ukraine in 1954. said Mr Konstantin Hrishstrong showing of nationalist-communist candidates in the 1995 Duma elections and the recent uncertainty about Mr Yeltsin's health make Kiev all the more anxious for US support.

Two politicians currently riding high in the Russian polls, Mr Alexander Lebed, former national security chief, and the Moscow mayor, Mr Yuri Luzhkov, shared by the two fleets. say Russie should retake Sevestopol, the port city in Crimea, which was transferred from Russia

The Russian government disavows any territorial claims, but the Slavic neighbours are deadlocked over the terms for dividing the Black Sea Fleet, based in Sevastopol. The Kremlin wants a long-term exclusive lease in Sevastopol and blames Ukraine for continually changing the terms. For its part, Kiev wants the base

"The settlement of this issue would benefit us both by removing the greatest irritant in our relations,"

enko, Ukraine's deputy foreign minister. "It's a real test of Russia's ability to take e civilised approach towards its neighbours." But some Ukrainian offi-

cials privately believe Russia is avoiding a solution because a continuing open dispute gives the Kremlin ment. greater levarage. Western officials make it clear that relations with Russia must improve if Ukraine's relations with the west are to develop.

Mr Garnett, who believes the long run.

US is Kiev's chief strategic partner, says foreign minister Hennady Udovenko

the "positive" US-Ukraine partnership has not been fully tested, points out other potential hurdles. One concerns the extent of US commitment to Ukraine. Mr Hrishenko thinks that "the role of the US is invaluable." But in making Ukraine feel more secure, how far Washington would go to guarantee it in the face of direct Russian economic or military pressure is an open

The slow pace of internal reform in Ukraine could undermine Washington's support. The US now bitterly complains that its multinationals are being maltreated by an ungrateful govern-

These concerns go to the heart of what kind of state the new Ukraine will turn out to be and whether it is one that Washington - and Congress - can work with in

NEWS: DAVOS SUMMIT

Global view looks bright and clear from Davos

Either Dr Pangloss, Voltaire's incurable optimist, has been reincarnated, or the world really has changed for the better. So it seems from the largely upbeat forecasts of global political and economic trends in the coming year, made at yesterday's opening eession of the World Eco-

nomic Forum in Davos. The overall message from two panels of experts was that there are no obvious big horizon, that the world economy is set to continue growing at a healthy pace, and there are unlikely to be any seriously disruptive shocks

Noordin Sopice, director of next year with no big peace

WØRLD ECONOMIC FORUM

Malaysia's Institute of Strategic and International Studies, said that "for the first time in human history, the whole south-east Asian region is at one and at military conflicts on the peace" - a condition he appeared to regard as perma-

Even the prognosis for the Middle East was relatively positive. Professor Ibrahim to international financial Karawan, of Britain'e International Institute for Strate-Some of the speakers were gic Studies, saw the region expand by a brisk 4 per cent positively ebullient. Mr "muddling through" the this year, with industrialised

Equity investments in emerging markets are set to reach a record level this year as international investors diversify their portfolios and take advantage of privatisation programmes, Robert Chote writes.

The Institute of International

breakthrough or serious nicely and south east Asia the US budget deficit over risked turning the country

On the economic front, Mr Ken Courtis of Deutsche Bank Capital Markets summed up the nicely-balanced state of the business cycle as "the Goldilocks recovery goes global". Mr Horst Siebert of Germany's Kiel Institute predicted that the world economy would

was that wars had simply

become too expensive.

ditions. outlook was the likelihood of continued steady growth in the US, with low unemployment, subdued inflation and

a buoyant equity market. Dr Fred Bergsten of the Washington-besed Institute for International Economics, further stoked the optimism by forecasting an early deal between President Bill Clinton and the Republican-controlled Congress to eliminate countries steaming along

Finance predicted yesterday that net equity investments into the 30 leading emerging market economies would . rise to about \$116bn (£72bn) this year, against just under \$104bn in 1996. Direct investment is expected to exceed \$79bn this year, rising from

armed conflict. One reason returning to boom-time confive years. That could sub-protectionist. stantially lower US interest Central to this favourable rates, stimulating bigger flows of privete capital into

fast-growing emerging mar-There were, of course, and still differed fundamenqualifications. Mr John tally on how far politicians Rielly, president of the Chi- ehould influence monetary cago Council on Foreign policy once there was a sin-Relations, warned that job gle European currency.

investors are not seeking control of the companies they invest in, are forecast to rise from \$33hn to \$37bn over the same period.

Mr Siebert warned that

around \$70bn in 1996, as multinational corporations spread their production

facilities. Portfolio flows, in which

France and Germany seemed politically incapable of the actions needed to cut their high unemployment rates,

insecurity among US
white-collar workers was
eroding the traditionel
underpinnings of an open

Casting optimism momentarily aside, Mr Courtis
shook the audience by suginternationalist policy and might reach \$30 a barrel by

the end of the year - though none of his fellow panellists seemed to share his concern. Perhaps the most striking barometer of the mood were the problems and fears the panellists failed to mention. Conspicuous omissions were the possibility of e severe

ing system. On the political front, the panellists' opening presentations ignored entirely a list of existing and potential trouble-spots, including North Korea, Taiwan, Kash-mir, Zaire - indeed, the whole of sub-Saharan Africa. Even Russia rated only a passing mention.

Guy de Jonquières and Robert Chote

Born to rule or rebel? Swiss hopes rise for early end It's just a birthright If your chief executive is a were more prepared to movements in the US, the

dictator, the likelihood is embrace radical decisions that he or she was a first than their older siblings. boru child.

lings are far more likely to book, Born to Rebel, is that turn into chief execs prepared to be more generous status quo and the youngest with executive share options rebel against it. First-borns and willing to take big risks are typically tough-minded to save a company from conservatives who esponse bankruptcy.

of Mr Frank Sulloway, a tend to be more liberal and Massachusetts Institute of Technology research scholar famed for his argument that lican Speaker of the US the order of birth is the House of Representatives most reliable indicator of and a first-born child, has a openness to social change and innovation.

Presenting his findings at Davos yesterday, he said first-born chief executives were more inclined to the behaviour of corporate aggressive strategies and vindictiveness. They were more likely to turn into dictators and terrorists than late-borns who identified more with the social underdog and tended to be more

liberal and rebellious. First-born CEOs tended to be bossy and defensive and conscious of the need to "defend their turf". Lateborns were less assertive she was to lose her head. but, if they rose to the top,

Perhaps the most interest-Children with older sib- ing finding in his recent eldest children support the the values and beliefs of This is the view, at least, their parents. Late-horns open to innovation.

Mr Newt Gingrich, Repubyounger sister who, as a Democrat, admits she would never vote for her brother. Mr Sulloway's research on

the impact of birth order on executives is at an early stage, but he has plenty of historical evidence to support his theories. During the Protestant Raformation, late-borns were 46 times more likely than first-borns to be burnt at the stake. The fate of each of Henry VIII's six wives is predictable by birth, order: the later her birth rank the more likely

During the civil rights

overwhelming majority of activists and snpporters were late-borns. In politics, first-borns tend to prosper in times of crisis. Franklin Roosevelt, Churchill, Mussolini and Stalin were all firsthorns. Hitler, though not technically a first-born, was

child.

If the late President Dwight Eisenhower had had the advantage of Mr Sulloway's research he would not bave had such a problem with Earl Warren, chief justice of the US supreme court. As a Republican governor of California, Warren appeared to share Eisenhower's conservative beliefs when he was appointed in 1953. However, he bad a change of heart which led to the US adopting a series of liberal laws.

Risenhower later admitted that Warren's appointment was the "biggest damn fool thing I ever did". If Eisenhower had realised that Warren was a second-born child, he could have saved himself a lot of trouble, says

Hopes of an early settlement of the row over Switzerland's wartime dealings with Nazi Germany rose yesterday as it became clear that Mr Benjamin Netanyahu, the Israeli prime minister, would use the Davos forum to meet Mr Arnold Koller,

The two are attending the his mother's first surviving meeting amid aigns that strenuous efforts are under way behind the scenes to defuse a dispute which is doing serious damage to Switzerland's image abroad and risks harming Swiss

> tion in Central Europe, will be in Davos along with Mr Malcolm Rifkind, the British foreign minister, whose mant Swiss bank accounts. departmental report into Nazi Gold last year suggested that up to 90 per zerland. Although Mr Eizenstat

and Mr Rifkind are not

directly involved in the dis-William Hall increasingly acrimonious machine, and that its banks the facts are known.



Switzerland's president.

banks' international busi- UN chief Kofi Annan in Geneva yesterday on way to Davos

US administration official in disrupt the work of the spe-Mr Paul Volcker, the ex-Federal Reserve chairman, which is investigating dor-

Zurich today and there are signs that its ability to agree cent of gold looted by the a common approach is being Nazis could still be in Swit- frustrated by the increasingly hostile comments of its Jewish members.

nomics minister, accused That committee meets in Jewish organisations of trying to blackmail Switzerland by demanding a SFr250m (\$180m) compensation fund for Holocaust survivors.

Switzerland has been trying for more than a year to pute, they are known to be rebut allegations that it keen to belp resolve an helped finance the Nazi war an admission of guilt before

Mr Stuart Eizenstat, the row which is threatening to profited from the dormant bank accounts of Holocaust charge of property restitu- cial committee, headed by victims. However, its efforts suffered a serious setback last month when Mr Jean-Pascal Delamuraz, the eco-

> Since then, the Swiss government has dropped opposition to a fund, but is keen to stress it should be seen as a goodwill gesture rather than cerned".

banks and the national bank have thrown their support behind the fund but the government bas not yet committed itself to providing any money.

It is not clear what form any accommodation between the two sides could take. In 1995, Switzerland formally apologised for its wartime record and the government is financing an investigation by international experts. Nevartheless, the Swiss would like Mr Netanyahu to give some indication that he is satisfied with their efforts to come to terms with what everyone egrees is e dark

chapter in its history. Mr Kofi Annan, the new United Nations secretary general, who is also in Davos, said yastarday that "the whole issue has been a difficult one for Switzerland and a public relations disas-

Speaking in Geneva yesterday, he said that he hoped the issue would be resolved "quickly and appropriately and equitably to the satisfaction of all parties con-

William Hall his third visit.

Alpine assembly's ups and downs

At a gathering whose organisers pride themselves Wall Street correction and a on assembling an international Who's Who of politics meltdown of Japan's bankand business, the new and missing names on the list of Davos participants offer some interesting clues about the hierarchy of the rich and powerful, writes Gny de Jonquières.

> Among this year's beavyweight newcomers are Benjamin Netanyahu, Israel's prime minister, Jack Welch, chairman of General Electric, and Jack Smith, chairman of General Motors. The General Jacks are considered particularly big catches, because their companies declined for years to send their top brass to Davos.

There was nothing personal to it, apparently, just scheduling difficulties. GE has for years sponsored a US golf tournament around this time of the year, while at GM the problem has been the need to attend a regular board meeting.

But deft diplomacy has prevailed, and the two companies have agreed to adjust their timetables. Perhaps tha offer of a place of honour on the first day's platform had something to do with Welch's decision to turn up.

Among the conspicuous absentees is Carlo De Benedetti, honorary chairman of Olivetti. A regular attendant until now, why did he not show this year? The official reason is that Olivetti is already well represented. A less charitable explanation. given by someone involved in issuing invitations, is that "Davos is for leaders of the future".

A still more tantalising question is whether General Alexander Lebed, the aspiring Russian strongman, will put in an appearance. He has made no secret of wanting to coma but has been strongly discouraged by the organisers, who fear his presence would embarrass Mr Victor Chernomyrdin, the Russian prime minister, who is on 3:

Britain calls for ban on landmine exports

By Frances Williams In Geneva

Britain yesterday called for International talks on banning exports of anti-personnel mines as a step toward eliminating them altogether.

Sir Micbael Weston, Britain'a ambass edor to the UN disarmament conference in Geneva, called on the 61 members to conclude "s universal, effectively verifiable and legally binding International agreement to ban the use, stockpiling, production and transfer of anti-personnel landmines"

The British proposal calls for negotiators to agree "as a vital first step" a global ban on landmine exports and transfers. Sir Michael said Britain believed it was possible to decide on an export ban, and identify the next steps on the road to a total and universal ban, by the end of the conference's 1997 ssion in September.

Mr David Davis, junior British foreign office minister, said in London that starting with an export ban was the fastest way to make progress. "We hope that the small number of countries who do not already have a national export ban will join lhe many who have," he

Mr Alexander Downer. Australia's foreign minister, yesterday backed Britain, the US, France, Japan and others in calling for landmine talks in the UN disarmament conference, which includes virtually all the leading landmine producers. rather than the "Ottawa process" led by Canada in which Russia and China have refused to take part.

However, an end to the impasse over the disarmament conference's negotiating agenda this year including talks on a "cut-off" treaty halting production of fissile materials used for

US attacks China over silencing of dissent

By Bruce Clark in Washington

dissent last year through arrests, intimidation and exile, according to yesterday's annual buman rights report by the US State Department. The report also accused Nigeria, Cubs and Burma of repression.

The report spoke of "widespread and well documented buman rights abuses" as a result of an intensified effort by Beijing to auppress all

"Abuses included torture

and mistreatment of prisoners, forced confessions and arbitrary and incommunicado detention," said the State Department, adding that "no dissidents were known to be active at the

In an unusual criticism of a west European ally, the report noted - witbont explicitly endorsing the allegation ~ that the selfdescribed Church of Scientology bad complained of sment in Germany.

The governing Christian Democratic Union bad passed a resolution saving

adherents of the movement should be barred from government jobs, the Stata Department said. Some artists had been prevented from performing or displaying their work because they were scientologists, it found

Mrs Madeleine Albright. the new secretary of state, has s reputation as a tough critic of human rights abuses - especially in the communist and former communist world - and she has promised to be frank with China and other repressive states.

firmed tha US govarnment line that policy towards China will not be "held hostage" to human rights or any other single issue. President Bill Clinton said this week he was disappointed by China's buman rights record but predicted political free-

Yesterday's report balances its account of repression in China with the assertion that "in many respects, Chinesa society continued to open further". It cited rising income, looser ideolog-But she baa also reaf- Ical control and freer access

dom would eventually pre-

to information.

The report depiored the formance of Nigeria'a military regime, which relied on "arbitrary detention, arrests and wide-scale harassment to silence its many critics. Security forces committed extra-judicial killings, tortured and beat suspects and detainees," the report said, edding that "prison conditions remained life-threaten-

"totalitarianism anachronism" where human rights had worsened in 1996, while

was censured for atepping up a policy of "rolling repression" and systematic violation of human rights.

The report found a "mixed plcture" in Russia, including the "genuine bright spot" of Russia's withdrawal from Chechnya - where Moscow's troops had practised "indiscriminate and disproportionate" violence.

On Turkey, an important strategic partner of the US, the report found "the government was unable to sustain improvements made in 1995, and as result, its record was uneven in 1996 and deteriorated in some respects". As a result of its fight with ernmant had "forcibly displaced large numbers of non-combatants, tortured civilians and has abridged freedom of expression". While estimates of the number of people forced out of their homes in the war zone varied, the figure of about

500,000 seemed credible. However, the State Department this week urged the EU not to make closer ties with Turkey conditional on improved human rights.

leap in the dark with microloans

Small-scale credit could help half the world's poor, reports Simon Kuper



nuclear weapons - still looks A Tamil villager in south India with goats bought with a microloan. Eight million poor people have benefited so far

developing country borrows \$200, buys an oven, and starts selling bot food. She repaya the loan with interest, borrows more money, buys another oven. and quite soon is a prospering markat trader. The money she repays goes to new borrowers, who set up their own enterprises.

So far 8m poor people worldwide have used unsecured microloans to start businesses. Two-thirds are women, who can find it hard to get credit from commercial banks. With many microbanks claiming repayment rates of well over 90 per cent, some projects fund themselves. And the borrowers gain dignity as well as

On Sunday, the three-day Microcredit Summit starts in Washington with the aim of apreading microloans to 100m people by 2005, through countless projects around the world. The estimated cost: \$21.6bn. Among those at the summit will be Mrs Hillary Clinton and Mr James Wolfensohn, World Bank president.

But many critics have attacked the summit's target. They say that microcredit has flaws that "micro-finance evangelists" ignore. And if it expands tenfold in just eight years, it could "Everyone agrees that are likely to pour in, produc-

poor woman in a microcredit is a good thing," says the UK government'a Overaeas Devalopment Administration (ODA). "But that doesn't mean the best way to maka It flourish is to pour money down lts throat." The UK, Germany, France and the European

> observers to the summit. Mr Ben Rogaly, a develop ment consultant to Oxfam and co-author of a book on microcredit*, warns that microfinance "hype" could divert funds from less fashlonable anti-poverty causes such as famine relief. The

Union are only sending

The old claim that microcredit reaches the poorest of the poor is false

Washington aummit's plan of action calls for \$7.5bn in new spending from official aid budgeta. The World Bank's new Consultative Group to Assist the Poorest plans to spend all its \$200m in expected donor pledges on microlending. No microcredit worker wanta to take funds from other worthy causes. All say that since many microcredit projects have become commercially viable, commercial banks

ing an estimated \$10bn in market rate loans up to 2005. Bankers Trust and Citibank will be among those repre-

sented in Washington. Critics also charge that reaching 100m people could mean spreading loans too thinly. Research shows that one loan is seldom enough to drag a borrower out of poverty - the second and third loans tend to achieve that. Grameen Bank, the Bangladeshi pioneer of microcredit. found its borrowers were taking five to 15 years to rise above the poverty line. So the bank ia now turning away new borrowers, and instead making repeat loans

The ODA says a tenfold increase in loans could overburden the microcredit US ghettoes. movement, "What we will Mr Nicho have, if we're not careful, is no shortage of funds flowing to too few microcredit organisations, which cannot cope," it says, Many microfinance projects are smallacale, and work partly because the local loan offi-

cers know the borrowers. Furthermore, Mr Rogaly says, the old claim that microcredit reaches "the poorest of the poor" is false. A atudy last year ahowed that most loans reach the better off among the poor. The very poorest have more immediate concerns than starting a business, When they do take out a

loan, they often spend much of it on staying alive. Many cannot repay, and end up poorer than before. Women'a World Banking, a leading mlcrocredit provider, responds: "We know we are

The microcredit summit goal

microloans are also made in Mr Nicholas Colloff of Opportunity Trust, a UKbased charity in microcredit, says microbankers should occasionally help the poorest by providing loans for consumption. He aays that "your local wickad moneylender" - the microbanker's foe, who typically charges extortionate interest rates -"is usually not lending you

not reaching the poorest of

the poor. We are reaching

very poor people." And not

all are in the third world -

money to set up a store, He's lending it for a social purpose: a funeral, a marriage." For 98 per cent of poor people, the moneylender is the sole source of financial services, says the Panos Institute, which speci-

Another queation is whether there is an endless supply of budding microentrepreneurs. Certain entrepreneurial akills may be innate. Women's World Banking adds that some cultures appear to produce mora business peopla than others. "India and China, for example, are very entrepreneurial," the bank says. "In. Russia, it appears to be more difficult for peopla to develop businesses.

Mr Rogaly says tha summit's plan may well succeed. Howevar, like any leap in the dark, it is dangerous. The prize is enormous. Presume that the average microloan is given to the head of a family of six. In that case, says Mr Wolfenaohn, success could mean reaching half the people in tha world who now live on less than a dollar a day. · ·

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*Microfinance and Poverty Reduction, Susan Johnson and Ben Rogaly, Oxfam Development Guidelines. Oxfom, 274 Banbury Road, Oxford OX2 7DZ.

NEWS: WORLD TRADE

Commitments of S\$8.1bn have been made to city state despite rising costs of manufacturing

Singapore attracts record investment inflow

Singapore yesterday announced that it attracted a record S\$8.1bn (US\$5,75bn) in manufacturing investment commitments in 1996, despite growing concerns over the rising cost of manufacturing in the city state.

Mr Philip Yeo, chairman of the government's Ecowould be able to draw S\$8.5bn in investment commitments this year and

around S\$10bn annually by year that the rising cost of The slowdown hit the which Singapore has imple-2000. These figures compared with total commitments in 1995 of S\$6.8bn. The bulk of future invest-

ments are likely to come in new semiconductor plants are expected to be set up each year, Mr Yeo said. As the type of investments into Singapore become more capinomic Development Board tal intensive, so the value (EDB), predicted the country added per worker rose close to \$\$500,000 in 1996, up from below S\$100,000 in 1986. There was concern last

iand, rent and wages in Singapore were threatening the island's manufacturing competitiveness. Some electronles companies such as Packtha electronics and chemical ard Bell of the US decided industries, and about two after lengthy deliberations to choose neighbouring Malaysia over Singapore as the destination for large manu-

facturing projects. The worries over cost coincided with a slowdown in output from Singapore's electronics sector, which supplies more than 60 per cent of exports.

wider economy, prompting the government to revise downwards its prediction for economic growth on two occasions. While acknowiedging that the economy had become closely tied to global electronics cycles beyond its grants will be made to any control, Mr Yeo said there were no viable alternative industries for Singapore to

1996, compared with 8.8 per cent in 1995

mented to fend off intensify ing regional competition for investment dollars was to double to SS4bn a fund for research and development. The fund will run for five

years from last year and company, local or foreign, which meets certain criteria. Another programme to make the island more attractive is Gross domestic product a S\$500m Innovation Develgrowth was 6.5 per cent in opment Programma which last year disbursed S\$131m to a total of 149 companies to One of the strategies help develop new products. Yeo: sees \$\$10bn by 2000



Record companies see slowdown after decade of vigorous growth Import curbs

By Lisa Vaughan in New Delhi

India has persuaded the World Trade Organisation to give it a five-month breathing space before it has to drop restrictions on imports of consumer goods.

After 50 years of fierce pro-tectionism, India was to bave presented its trade partners with plans to liberaliae imports of consumer goods this month, and to set a timetable for removing import curbs from April 1. But it has persuaded the

WTO to give it until June a delay which will frustrate mated that the trade deficit some of its WTO partners and especially the International Monetary Fund which has been pressing India to comply with WTO import

For more than s year, the US and Europe have maintained that India's balance of payments is no longer vulnerable and should not be maintain import curbs tem-used as a justification for porarily, said Mr Prabhu. Indla protecting its consumer goods market. But tiny of India's balance of India bas insisted that even payments, came down hard modest purchases of consumer imports by its 200mstrong middie class would push up imports by \$20bn a

payments crisis The issue was discussed ners during recent consulta- year-end.

tions in Geneva. Countries applying quantitative restrictions are required to bave periodic meetings with WTO's balance of payments committee. The negotiations

resume in June. Mr P.P. Prabhu, the Indian commerce secretary, said: "We told the committee that though it (the balance of payments) appears to be comfortable, exports have declined, oll prices bave gone up and therefore the overall situation is not all that comfortable."

Mr Prabhn, who led the delegstion to Geneva. estiwonld nsrrow to around \$2bn by the end of the fiscal year to March 31, 1997, from \$4.5bn in 1995-96.

India also cited its external debt, the volatility of portfolio investment, the need for massive investment in infrastructure and the fiscsl deficit as reasons to The IMF, after close scru-

payments, came down hard on India in the consultations, Indian officials sald. IMF officials argued that the present level of reserves -\$18bn, equivalent to five months of imports - was comfortable and is expected by India and its WTO part- to increase further by fiscal

delay for India Music industry sales static

By Alice Rawsthorn

After a decade of vigorous growth, the music industry last year experienced static sales in nine countries which collectively represent

A study published in the latest issue of Music & Copyright suggests that wholesale sales of albums and singles in those nine countries rose to \$16.1bn in 1996, an increase barely above inflation of just under

3 per cent on 1995. The slowdown in growth marks s significant change for the world's record sales soar from \$14bn in 1986 to \$40bn in 1995, according to the International Federation of the Phonographic

Industry. This expansion

TOTAL

Sales (m)

0.5 30.4 1.0 139.4

reflected continued growth sales. One of the few bright in mature music markets spots was Brazil, were sales and the emergence of new rose by 32 per cent to \$874m. markets in Asia and Latin America.

Trading deteriorated in several marking the end of the countries last year, notably in the US, the world's largest music markat, which was destabilised by the financial difficulties of the record retailing sector. wholesale sales rose by just 1 per cent to \$7.9bn during 1996, thereby declining in real terms, according to Music & Copyright.

\$1.3bn.

Japan, the number two market, mustered modest growth of 3 per cent to recent circular from \$4.6bn during the year; while sales stalled in France at Cansda, Belgium and the Netberlands all suffered a

decline in wholesale music

0.1 1.a

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1.5 4.82

LPe

These markets were all affected by a slowdown In conditions compact disc sales growth,

period when consumers bought CD versions of their favourite vinyl albums. Sales were also depressed by a cent. disappointing response to new releases from big stars such as R.E.M., Pearl Jam, Phil CollIns and Bryan

The Music & Copyright study is in line with other estimates of the music and Latin Amarican market's performance. A Goldman Sachs in New York concluded that global record last year. But these sales grew by 2 per cent in value and 4.2 per cent in volume last year.

Germany and the UK, the

Sales (m)

16.5

88.8 41.4 97.4 27.7

35.7 7.a

CDs

MCs

world's third and fourth largest music markets, are excluded from the Music & Copyright atudy because firm sales figures are not yet avsilable. However, it estimates that the German market grew by just 2 per cent in dollar terms, while the UK fared better at 6 per

if the German and UK estimates are added to the sales registered in the nine other countries, the overall level of growth for 1996 remains 3 per cent. Similarly several Asian

countries outperformed the mature markets of western Europe and North America emerging markets are still too small to compensate for tha industry's alowdown

> 1,289.6 292.3 4.643.6 313,4 21.3 7,901.4 18,075.4

WORLD TRADE NEWS DIGEST

S Korea to rule on razor claim

The South Korean government is expected to rule next month on a complaint that foreign companies have been dumping electric razors to the detriment of local manufacturers. The Korea Trade Commission has been hearing an anti-dumping complaint filed by Woorim Electronics, a small Korean razor manufacturer, against Philips of the Netherlands, Braun of Germany, Matsushita and Sanyo of Japan and several Chinese makers.

Woorim blamed cheap foreign imports for reducing the number of Korean electric razor makers from 11 to six since 1993. Foreign manufacturers said the domestic industry'a prohlems were caused by poor management. Sales of electric razors in Korea increased by 10 per cent to 962,000 units in 1995, with imports accounting for

The Korea Trade Commission, which is supervised by the ministry of trade and industry, will impose anti-dumping tariffs on the foreign brands if it rules in favour of Woorim.

Japanese vehicle exports fall

Japan's vehicle exports fell in 1996 to their lowest level since 1976. The Japan Automobile Manufacturers Association, the key industry body, yesterday said vehicle exports last year fell 2.1 per cent to 3.71m units.

The figure marks the 11th consecutive annual decline and is just above the level in 1976, shortly before the surge in Japanese vehicle exports to US and European markats. The data also illustrate the steady expansion of off-shore production facilities.

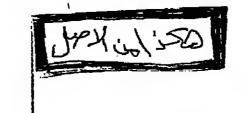
Japan'a total domestic vehicle output rose 1.3 per cent last year to 10.3m units, the first increase since 1990 but well down on the peak 13.5m output in that year. The share of exports, however, was the smallest since 1974, the association said.

Exports of passenger cars, including minicars, fell 1.2 per cent to 2.8m while trucks declined 5 per cent and buses were down 1.9 per cent. However, vehicle exports to Europe, Japan's second-largest overseas market, increased 3.3 per cent to 948,712 for the first rise in six years. The largest overseas market for Japanese vehicles. North America, shrank 10.2 per cent for the 10th consecutive annual decline.

Gwen Robinson, Tokyo US-French oil deal in Burma

Total of France and Unocal of the US announced they had signed a new production-sharing contract with Burma's Myanmar Oil and Gas Enterprise (Moge) to expand. offshore natural gas exploration in the Andaman Sea. The new block covers 11,068 square kilometres in the Martaban Basin, south-west of the Yadana natural gas field being developed by the two companies, together with Moge and the Petroleum Authority of Thailand.

Total, the project operator, holds 52.5 per cent of the venture and Unocal 47.5 per cent. Moge has an option to acquire a 15 per cent interest at a later date. If production in the new zone proves viable, gas is likely to be exported to Thailand through a controversial pipeline now being built. An oil industry executive in Burma said plans for this production-sharing contract had been on the table for some time but completing the contract took on new urgency because of the possibility that US President Bill Clinton would invoke a statute prohibiting new Investment by US companies In Burma because of its human rights record.



RECORDED MUSIC SALES 1996

Sales (m)

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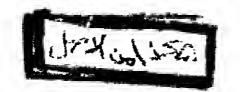
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Indian takeover code threatens cosy club

had more difficulty

sources said.

attracting investment than

lower returns and a longer

gestation period, industry

Last year telecoms

licences were awarded to

private companies for basic

telephone services, ending

by the state-run provider.

several decades of mooopoly

trolled through relatively

small stakes: it holds a 15

per cent stake in Tata Iron

Steel and Co, the country's

second largest steel maker,

and an 11 per cent holding in

Associated Cement Compa-

nies, the largest cement

Until now industrial

houses have been able to

retain control because of the

obstacles put in the way of

mergers and acquisitions.

These included a plethora of

legislative sbackles, high

stamp duties, a passive

manufacturer in India.

By Tony Tassell in Bombay

A new landmark takeover code was unveiled in India yesterday, axposing the to invest in Indian debt country's dominant family instruments. Three foreign owned industrial houses to funds have already been the prospect of predatory allowed to operate in tha raids for the first time.

The long-awaited code, which will provide a clearer regulatory framework for Indian equities on a proprimergers and acquisitions, etary basis and cleared the could transform India'a corporate landscape. "Some ceed on a formal basis. companies are going to feel very, very vulnerable," says Mr R.P. Goenka, patriarch of the RPG group of companies and one of India's few suc-

cessful takeover exponents. The code was one of a number of reforms of the Indian capital markat announced yesterday by the Securities and Exchange Board of India, the industry regulator. Mr Devendra Mehta, chairman of the boad, said it was the most important reform of the capital market since economic liberalisation began in the

country in the early 1990s. The board announced several other measures to help said the code was a "step in

boost India's debt and equity market. It will permit The Indian government mutual funds set up by foreign investment institutions country. The regulator said it would allow registered for-

eign institutions to invest in way for stock lending to pro-Under the new code, shareholders will be required to make a mandatory bid for at least 20 per cent of a company if their stake exceeds 10 per cent. Similarly, par-

ties which initiate a change

in control of a company

would also have to launch a offer for the same amount. Conditional hlds will be allowed but must be subject to a minimum mandatory acceptance of 20 per cent or 50 per cent of the bid amount must be deposited

with an escrow account. Mr Rajiv Gupta, bead of mergers and acquisitions at brokers DSP-Merrill Lynch.

vesterday announced long-awaited tax incentives to invest in Indian debt for the telecoms todustry, putting it on an equal footing with other infrastructure sectors such as power, Lisa Vaughan

> writes from New Delhi · Telecoms companies will be eligible for tax bolidays for up to five years, as well as concessional duty for equipment imports, the finance ministry said. External borrowing limits

the right direction", providing more clarity for takeover

for telecoms companies will

Before economic liberalisation started most industrial houses had developed as complex webs of companies and cross-shareholdings to avold high tax rates and take advantage of government incentives encouraging small-scale industry.

This, however, left many of them with only small stakes in group companies. Many of the big names in the Tata group are con-

approach by institutional be increased to 50 per cent investors to the way compaof project cost, from 35 per nies were run and a cultural cent. This is expected to bias against takeovers. benefit in particular basic "It is difficult to be a pred-

NEWS: ASIA-PACIFIC

ator in this country," said phone providers, which have Mr Ajay Piramal, who has made a string of agreed takecellular providers because of overs in the pharmaceutical sector over the past 18 months through the corporate vebicle of Piramal Enterprises. "The indian corporate sector is still run like a gentleman's club." Few analysts expect the

> new code to bring an immediate surge in takeovers. Obstacles remain, such as a of takeovers. ban on hank financing of takeovers, and analysts say some regulations in the new code may still dampen activity. Others suggest the planned reform of the Companies Act will also have to be carried out before takeovers can really take off.

in the longer term, a rise in activity seems to be inevitable. "It may be a lengthy process but the number of takeovers is definitely going to rise," said Mr Venugopal Dhoot, chairman of the Videocon electronics group.

porate sector is also overdue. At last count, there were more than 7,800 listed companies in India plus a plethora of state-owned companies and innumerable privately owned firms. This

compares with about 1,700

listed companies in Tokyo

and 540 in Hong Kong. The domestic investment institutions have also started showing signs of adopting a less passive attitude towards company managements, a move which may encourage acceptance

lnitlally, most analysts expect smaller companies and joint ventures with multinationals to be the target of takeovers. The multinatlonals are likely to seek greater equity in the joint ventures as their operations are expanded.

Over the longer term, however, an increasing number of other companies are expected to come into play as they seek to raise funds for expansion, diloting the stake of controlling shareASIA-PACIFIC NEWS DIGEST

Seoul 'will not bail out banks'

A senior presidential adviser yesterday warned that the South Korean government would not bail out the main creditor banks of the bankrupt Hanbo group, which borrowed almost \$6bn in loans. The central bank "cannot and will not provide special loans to Hanbo's creditor banks," said Mr Lee Suk-chae, senior presidential adviser for economic affairs, "The provision of soft loans is also impossible because it is not the government, but the banks, that are responsible for the loans to Hanbo."

Instead, the government is likely to promote bank mergers to solve possible bad loan problems resulting from the Hanbo collapse, while easing restrictions on bank operations. Korea First Bank has the greatest credit exposure to Hanbo, with almost Won1,100bn (\$1.29bn) in

Meanwhile, South Korean prosecutors began questioning Mr Chung Tae-soo, owner of the bankrupt Hanbo group, on how he secured the huge bank loans for an ill-fated steel project despite the conglomerate's shaky

Patten warns over liberties

Mr Chris Patten, Hong Kong governor, yesterday warned that ratification of a Beijing committee's proposal to water down Hong Kong civil liberties laws would wreak enormous and irrevocable" damage on the territory. Speaking on the eve of meetings in Beijing to decide whether or not to adopt the proposals, Mr Patten said endorsement would undermine autonomy in Hong Kong,

which reverts to Chinese sovereignty on July 1. A sub-committee of the Beijing-appointed Preparatory Committee, which is overseeing China's handover arrangements, today begins its deliberation of the proposals, which have already received backing from Mr rung Chee-bwa, Hong Kong's future leader, and the Xinhua news agency, Beijing's de facto embassy in the Louise Lucas, Hong Kong territory.

China charges on. Page 18

Indonesian mob burns temple

A Moslem mob yesterday stoned and burned a Chinese temple and Christian churches in Rengasdengklok, about 50km from Jakarta. Reports said the rioting was sparked by a rumour that a trader of ethnic Chinese descent - a largely Christian minority ~ complained the call to prayer from a mosque near his bouse was too loud.

Riots provoked by ethnic and religious rivalries have plagued the island of Java in recent months. The unrest has highlighted divisions in Indonesian society where wealth is largely demarcated along ethnic and religious lines. The coontry's Chinese minority are widely resented for their disproportionate bold over indonesia's private Mamuela Saragosa, Jakarta

■ The World Bank is to support a \$118m project to bring solar power to rural households in Indonesia, believed to be the first solar bomes initiative in the developing world. The bank, which is putting up \$20m of its own funds, said the project would benefit about 1m people who rely on dangerous and polluting sources of power such as candles

The project will be implemented by the private sector, according to government approved standards. Part of the funding will be used to provide credit so that rural households can buy solar home systems on an affordable Peter Montgonon, London instalment basis.

Millionth 'hit' for Chinese-language Internet service

World lenders urged to 'rally round' Pakistan

By Mark Nicholson in Karachi

The governor of Pakistan's central bank has urged multilateral lending institutions to "rally round" and step up support for reforms undertaken by the country's caretaker government.

This follows disappointment over the World Bank's refusal to provide a \$200m loan to back reforms aimed at restructuring ailing public sector banks.

Pakistan's three-month-old caretaker administration ends its tenure in office with Monday's general elections. called after the sacking in November of the government of Ms Benazir Bbutto. The central bank chief, Mr

Mohammed Yaqob, who yesterday began a three-year extension at the helm of the State Bank of Pakistan, directed his plea to the World Bank, international Monetary Fund and Asian

to belp tide Pakistan over a short-term squeeze in repayment of foreign debts at the same time as buttressing "massive reforms" to the financial sector.

"We hope to go back to tha World Bank, the IMF and the ADB to try to get them to rally round this package of reforms - which is backing medium-term structural reform hut which also provides us with short-term money, said Mr Yaqub. Pakistan would also seek an Enhanced Structural Adjustment Facility from the IMF. offering longer-term, more concessionary finance than the present \$800m standby

facility, be added. Pakistan faces foreign debt repayments of around \$2.3bn before June, while foreign exchange reserves stand at around \$800m, "not a comfortable level, given our volumes of trade and size of habilities," he said.

Reserves have been lifted rom their low of \$350m He said funds were needed when the caretaker govern to 2 per cent.

disbursements from ac extended IMF standby facility and a \$150m loan from the United Arah Emirates But reserves remain short of the \$1ho target set by Mr Javed Shahid Burki, caretaker finance minister.

Mr Burki, who was leave from the World Bank until this week, had sought the \$200m loan from the institution - funds which Mr Yaqub said the government had "anticipated". Mr Yaqub added that

remittance flows had eased in the past few months. partly due to uncertainties over the Pakistan rupee, devalued 40 per cent in the past three years and 17 per cent since October.

But he also said the deval-uation had "sharply" improved Pakistan's current account. Export growth is I also coming from abroad, 16 per cent, while the devaluation has beloed cut the rate of import growth

Murdoch China venture Web site 'overwhelmed'

By Tony Walker in Beijing

The two-week-old Internet information technology venture in China by Mr Rupert Murdoch's News Corporation has been overwhelmed with inquiries - with the onemillionth "hit", or user inquiry, registered yester-

Mr Bruce Dover, general manager of Beijing PDN XInren Information Technology, sald response had far exceeded expectations and indicated a vast untapped market among Chinese seeking technical informatioo through the Internet.

About 80 per cent of inquiries for the Chinese-language information service are from inside China, but interest is

KPMG

operatiog companies;

Interested parties should contact:

KPMG Corporate Finance

especially the US. The US military is among users which have sought

Internet access to the service, a 50-50 venture between News Corp and People's Daily, the Communist party newspaper. News Corp has provided the technology for the Web site, owned and operated by People's Daily. ChinaByte, which began

operations in mid-January, aims to be the single most comprehensive source of computer information for Chinese-language readers. The joint venture partners

have invested \$2.5m in the new service, developed in co-operation with Ziff-Davis, the New York-based publisher of computer maga-

Sale of British Rail

Railways Board ('BRB') is being offered for sale.

ChinaByte services

Property Board ('BRPB')

BRPB acts as estate manager and professional adviser to BRB and provides a range

development land, office buildings and a mix of other surplus railway real estate;

■ Other property related services, including maintenance of BRB's property records. This is an opportunity to acquire a business with considerable experience in property

management and sales, station retailing and property development, including railway

Based in Loodon and with five regional offices, BRPB had 209 permanent staff at

Further information about the business and the sale process will be made available

Mr John Riddell, KPMG Corporate Finance, 8 Salisbury Square, London

through the pre-qualification memorandum, available on request to appropriate enquirers.

This advertisement is issued by the British Railways Board, its contents have been approved for the purposes

of Section 57 of the Financial Services Act 1986 by KPMG Corporate Finance, KPMG Corporate Financial

a division of KPMG which is authorised to carry on investment business by the institute of Chartered

of property services to other rail industry businesses, fts current activities include:

■ Management and disposal of BRB's remaining property interests, including

Provision of property management and agency services to train and freight

related schemes, and railway privatisation property arrangements.

EC4Y 8BB. Tel: 0171 311 8548. Fax: 0171 311 8824.

BRPB, the property advisory and management services business of the British

BUSINESSES FOR SALE

include a software library of 16,000 programmes, computer technology news and weekly computing columns. About 70 per cent of users are seeking news about technology. Some 15 per cent use the service to exchange technical information.

"All these computer-literate Chinese on the net have never had anything to access before, so they keep coming back," said Mr Dover.

ChinaByte plans to take advertising, starting in March, but the operators are making sure the system is functioning smoothly before seeking commercial sponsorship. Software suppliers such as Microsoft bave shown keen interest in the profile of Chinese seeking access to the new service.

LEGAL

THE BARING SECURITIES EMERGING MARKET INDEX TRACKER FUND LIMITED (IN VOLUNTARY LIQUIDATION

The Companies Law (Revised) (Cap. 22) TAKE NOTICE THAT the following is a Special Resolution which was passed by the members of the above named company at an Extraordinary General Meeting of the Members held on Jamusry 24, 1997. The Resolution read as follows:

-RESOLVED THAT Christopher D.

"RESULVED THAT Carrescoptor II, Johnson and Atun J Davies of P.O. Box 219, Banterfield House, George Town, Grand Cayman, British West Indies, be appointed Jount Liquidators for the purposes of wanding up the Company and that ewher of them shall have the power to act alone in the winding up."

NOTICE is hereby given that creditors of the above samed company are required, on or before February 21, 1997, to send full particulars of there does or claims to the John Liquidators of the said

In default thereof they will be excluded from the benefit of any distribution made before such debts are approved.

Alum J. Davies Joint Ligaridator

Dated this 24th day of January, 1997.

The address of the Liqu P.O Box 219 George Town Grand Cayman Fax: (345) 949-4590

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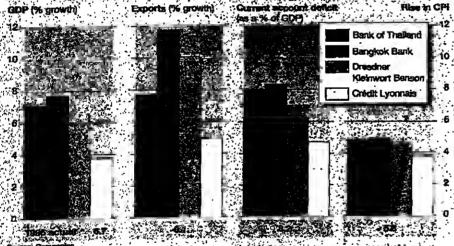
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Thailand: pessimists and optimists



Economy leaves little for Thais to celebrate

By Ted Bardacke in Bangkok

The Chinese New Year is next week and Bangkok's gold shops should be full of customers. Thay're not. Sales are 15-20 per cent down on last year, traders say, and central bank figures released yesterday show why.

The slowing Thai economy Exports in November fell 5.8 rates to fall from their per cent year-on-year, manufacturing production is at its lowest point since the political violence of 1992, credit growth continues to fall and private investment, after staging a slight recovery in the middle of last year, is tailing off once again.

"The economy is stable but is showing no signs of recovery," said Ms Kleo-Thong Hetrakul, director of the central bank's department of economic research. Continuing poor exports are why there was mnted-

improvement in the most

watched economic indicator

in Thailand - the current

account deficit, which fell 35 per cent year-on-year. "Improvement on the

Singapore. "You're going to sectors of the economy. get an improvement in tha trade balanca when tha domestic economy is declin-The financial anthorities

had been hoping an improvement in the current account deficit would set off a chain reaction whereby increased international confidence would renew large-scale caphas yat to bottom out. ital inflows allowing interest double-digit levels and leading in turn to a renewal of investment and economic activity.

In fact, the opposite is happening. For the second straight month Thailand had a balance of payments deficit \$768m left the country in December alone - and foreign currency reserves now stand at \$38.7bn, down \$1.2hn from the peak two months ago. Interest rates remain abova 13 per cent and yesterday the central bank once again spent an reaction yesterday to an untold sum of dollars to prop

up the baht. For once, the Thai government cannot be blamed for the situation. The economic team led by Mr Amnuay Virayan, finance minister, is external side came from a off to a respectable start. Mr collapsa in imports not Amnuay has declared his increased exports," said Mr intention to cut spending, just to keep the macro envi-Song Sen Wun, regional stabilise the property market ronment neutral," says one economist with HG Asia in and liberalise inefficient finance ministry official.

At the same time, Mr Rerngchai Marakanonda, central bank governor, has also been reasserting the Bank of Thailand's independence. In the last two weeks he

has hucked the government on a number of dubious schemes including a government-funded bailout of the property sector, the sale of troubled Bangkok Bank of Commerce to private investors and a call to lower artificially interest rates via an inflationary injection of cash into the money market. Nevertheless, a coherent

plan to revive exports bas yet to emerge, with the industry minister, Mr Korn Dabbaransi, sniping recently that drawing up such a plan "was too time-consuming". An export pick-up, evident elsewhere in the region, would boost both short and long term confidence.

The force of the economic slowdown has also caused officials to revise down their tax revenue projection by 6 per cent to Bt925bn (\$36bn). leaving open the possibility Thailand could run a fiscal deficit for the first time in a decade if Mr Amnuay fails to enact his budget cuts soon. "I feel like we're sprinting

KPMG

Accountants in England and Wates.

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For further information contact the Joint Administrative Receiver, Julian Whale, KPMG, Quayside House, 110 Quayside, Newcastle upon Tyne NE1 3DX. Tel: 0191 401 3700. Fax: 0191 401 3750.

KPMG Corporate Recovery

CONTRACTS & TENDERS



BAHIA - COELBA, will issue de following bid: INTERNATIONAL BID Nº 001/COELBA/97. **OBJECT: POWER TRANSFORMER. RECEIPT OF** PROPOSALS: at 14:00 hours of March 4, 1997. COST OF BID CONDITIONS: R\$ 20,00 (twenty reals). ADRESS FOR SALE OF BID CONDITIONS, RECEIPT, AND READING OF PROPOSALS: Av. Edgard Santos, 300 Block 1, Ground Floor,

COELBA Main Building, Salvador, Bahia. BIDS AND CONTRACTS DEPARTMENT - DLC.

SECRETARIA DE ENERGIA, TRANSPORTES E COMUNICAÇÕES

NEWS: THE AMERICAS

Budget amendment faces fierce battle

in WashIngton

new attempt by lawmakers to pass an amendment to the US constitution that would outlaw federal budget deficits got under way in Congress yesterday, facing a fierce fight

The Senate judiciary committee was expected to approve the proposal late yesterday and send it to the full Senate for consideration within the next few weeks.

It is the second time in backed by nearly all Republicans and hy a significant minority of Democrats, but firmly opposed by the administration, has come before Congress. Two years ago it was passed by the House and defeated in the Senate by just one vote.

Republicans believe that, elections last November, in which they made a net gain of three seats from the Dem-

secure the required twothirds majority in hoth houses. But the Republicans lost seats in the House, and must deal with the potential defection from their cause of saveral Democrats who

backed it previously. cially concerned about the impact of the proposal on the financing of the social security system, the public pension programme for the

Earlier thia week President Bill Clinton attempted to apply some beat to wavering Democrats by warning in a letter to Mr Tom Daschle, the Senate minority leader, that the amendment might force the government to stop paying social security to millions of pensioners.

The president wrote that if budget balancing require-"disbursement of social secufollowing the congressional rity cheques could cease or unelected jndges could reduce benefits to comply with this constitutional man-

the House sought yesterday to meet these concerns hy saying they would introduce legislation to protect the social security trust fund from heing used for other government programmes.

But in doing so they risk splitting Republican ranks, since the party'a leadership has hitherto opposed any attempt to isolate social security from the rest of the The problem with ring-

fencing the social security fund is that if it is excluded from calculations of the general budget deficit, the cost of balancing the overall budget in the medium term would become much

The federal deficit of \$107bn in the current year includes a surplus on social security of about \$160bn. If that surplns were removed, the cuts needed to

balance the budget would be Selling the Old Masters in far greater than any savings that have been achieved in expenditure reductions in

SALEROOM - NEW YORK

Old Masters help pay pensions



views of Venice, as sean from San Marco and painted

around 1740 by Canaletto, sold for \$4.5m at Sothehy's in New York yesterday, way ahead of their top pre-sale estimate of \$2m. They are among the most famous views of the city and were almost certainly painted for an English nobleman making the Grand Tour.

The Canalettos were the highlight of 24 paintings sent for sale by the British Rail Pension Fund, of which all but two sold. The fund began investing in art in the 1970s and spent £40m (\$61m) on about 2,400 objects. It has now disposed of well over 2.000, for more than £150m. showing a reasonable annual return of 5.5 per cent above the retail price index.

New York was a surprise. Most of the BR collection was auctioned hy Sotheby's in London, and London has



Detail from Sweerts' "Plague in an ancient city", which sold for \$3.852m

traditionally been regarded and the desire to sell the as the centre of the Old Master market. But the imposition, in the cause of European Union harmonisation, of a 2.5 per cent VAT charge on works of art in the UK, Bouillon from the collection,

paintings at a favourable time, persuaded Sotheby's to switch tha sale to the US. A painting by Drouals, of the children of the Duc de

two previously unpublished landscapes by Boncbar almost doubled their estimate, selling for \$827,500. The BR pensioners are

The sensation of the very successful sale of Old Masters was the \$4.512m paid for a view of Frederik in Paraiba, Brazil, painted by Frans Post in 1638. It was an auction record for the artist Equally impressive was the record price of \$2.7m. which secured a portrait by Willem Drost. It had been modestly estimated at up to \$200,000, but two bidders chased each other up.

The other feature of the auction was the disposal of eight 17th-century Dntch and Flemish paintings acquired by Saul Steinberg, chairman of the New York insurance group Reliance Group Holdings.

They all sold, for about \$11m, comfortably ahead of the \$7m estimate. The star performer was "A plague in an ancient city", the master-work of Michael Sweets, which sold for \$3.852m. within forecast, but an entist's record. Although tha praying and dazed citizens portrayed on the canvas wear antique clothing, the painting was inspired by a plague in Rome around 1650.

Small turns out beautiful in booming Mexican town

Chipilo's furniture businesses are among many such enterprises that have helped push exports up 57% since the peso's 1994 devaluation, writes Leslie Crawford

The dairy town of Chipilo, reproductions of Mexican nestled in a high, volcanoringed plain sontb-east of Mexico City, was until quite recently best known for its cream and cheese, and the lilting Italian dialect still spoken by the greatgrandchildren of Venetian immi-

Then an American tourist. driving through on his way back to New Mexico, stopped by Mr Antonio Zarain's furniture shop and bought every item on display. That chance encounter was to change Mr Zarain's life, and with it, tha fortunes of the entire

"If it hadn't been for the gringo, I would never be exporting today," says Mr Zarain, wbo won Mexico's coveted Exporter of the Year award last month. Muebles Segusino, his furniture company, shipped nearly 240,000 antiques in 1996 to customers in 44 countries. Mr Zarain forms part of the

new breed of businessmen who have helped double Mexico's exports in just under five years. Most of this astonishing growth has taken place since the devaluation of the peso in December 1994. Since then, exports have grown by more than 57 per cent to \$96bn in 1996, or 28 per cent of gross domestic product.

Bancomext, the government's export promotion bank, estimates there are now 31,000 Mexican companies directly involved in export activities, compared with 15,000 companies three years ago. Mr Zarain's family business. however, has broken new ground in a sector dominated by very large industrial conglomerates

and foreign assembly plants.

business partners, and persuading them to set up furniture workshops of their own, Mr Zarain was able to meet the hefty export orders which began to flow when be started attending trade fairs around the world.

"We were a cottage industry that needed to make the leap into industrial-scale production," Mr Zarain says. "The only way to do this was to harness the skills and the productive capacity of the

Chipilo (population: 3.000) today resounds with the clatter of hammers, saws and industrial lathes. There are 68 furniture and metal workshops, many of them erected beside family cowsheds, which do contract work for Muebles Segusino and employ more

shops' start-up costs, and he sup-By turning his employees into plies them with raw materials, furniture designs, and advice on management and quality control. The near-finished items are delivered to Muebles Segusino, where they are sanded, waxed and packaged for export.

His big break came with the devaluation. Dollar earnings brought a buge peso windfall which was invested in new warehouses, better equipment, and the hiring of engineers and design consultants. "Three of Mexico's top furniture designers are helping us develop new product lines," Mr Zarain says, "The engineers are teaching us bow to cope with the rapidly expanding

Last year, Mr Zarain set up a trading company and a training centre to revive the region's

age weavers, potters and glassblowers to form exporting co-operatives.

"There are so many products Mexico could export if only they were produced on a large enough scale," Mr Zarain says. "Unfortunately, Mexican artisans are not accustomed to pooling their skills. What they need to learn is

trust. The government has also woken up to the hidden potential of artisans and small businesses. At Bancomext, the state export bank, \$10bn has been set aside this year to introduce small and medium-sized companies to the exporting world.

Big exporters do not need us any more. Commercial banks are more than willing to finance their business," says Mr Enrique Vilatela, managing director at investment bank, structuring and financing projects with export potential.

Mr Vilatela is working on two fronts. He wants to see a greater integration within exporting industries, and he wants to promote exporting co-operatives or associations among small manufacturers.

At present, Mexican exports are beavily dependent on imported inputs. The border town maquiladoras (assembly plants), which account for almost 40 per cent of total exports, source only 2 per cent of their

inputs from Mexican companies. Local sourcing is reported to be better in the automotive and chemical industries, but most economists, including Mr Vilatela, believe Mexico's over-dependence on imports is unhealthy.

bacome more like that of an Last year's incipient economic recovery, in which GDP is estimated to have grown 4.5 per cent, produced a 23.7 per cent surge in the import bill.

Although Mexico still posted a

trade surplus of \$6.3bn in 1996 its

ability to continue ganerating surpluses in future will depend on the replacement of imported inputs by Mexican goods. Bancomext has sponsored several events that have brought

maquiladoras and potential sup-

pliers together. · ·

"We are studying the weaknesses in our export production chains," Mr Vilatela says, "and are combing the country, region by region, to identify which companies can be incorporated into

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snow-capped Mount Kilimanjaro. From the pool-

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within the garden on the beach. Zanzibar Serena Inn: The Aga Khan Fund for Culture carefully renovated two romantic and historic buildings in the heart of Zanzibar's historic Stone Town, 52 luxury rooms on the sea-front, An elegant hotel with an ambience that reflects the colourful history of this famous spice island.











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Private world for Bolivians' pension funds

Sally Bowen on the Spanish-led consortia that will handle \$1.7bn

Selection of two Spanish-led bere are pretty substantial: consortia to manage Bolivia's new pension fund system marks the effective culmination of the country's 'capitalisation" programme. through which the main state-owned companies have been transferred to private ector operators.

With just one company to go - the metallurgical complex of Vinto and its associated mines - a process which bad provoked widespread scepticism when it was first mooted is already spawning imitators in Latin America and beyond.

Spain's Argentaria and Banco Bilbao Vizcaya, leaders of the consortia placed first and second in bidding last week, will manage the \$1.7bn-plus in shares of former state-owned companies. The two winning consortia will split Bolivian territory on a geographical basis, though they will compete openly in the four main cities; their duopoly lasts

In addition, the two pension fund administrators, known as AFPs in Latin America, will take over the pension affairs of about 300,000 contributors to the existing state social security system – which has been declared defunct – and recruit new members.

Capitalisation ministry officials expect the two new AFPs to sign up another 500,000 members within five years: that sbould mean extra annual contributions of some \$200m for them to

Nine hig-name international consortia had been sbort-listed to bid from more than 60 which initially expressed interest to Ernst & Young, advisers to tha Bolivian government on the tender. Six pulled ont before auction day, however, most deterred by a rash of lastminute rule-changing and the substantial guaranteea demanded by the govern-

"But the amounts involved party.

the system starts off managing the equivalent of some 30 per cent of GDP," said Mr Arturo Rubinstein, of tha losing consortium formed by Templeton of the US and Provida, Chile's largest AFP. "It's natural that the government should want to take

precautions." Those who atayed the course said they were attracted by the size of the initial fund and the low start-up costs expected.

Creation of private pension funds to replace the failing state social security system, which benefited only 340,000 of Bolivia's 7m inhabitants, had always been part of the capitalisation plan. A 50 per cent stake and full management control of five state-owned companies has gone to private sector companies from the US, Italy, Chile and Brazil.

in return for their stake, the new owner-operators have committed a total of \$1.67bn in fresh investment for the five companies more than Bolivia has attracted over the past 15 years: \$250m of that was disbursed last year.

The remaining 50 per cent is destined for the Bolivian people, with dividends - and eventually capital - from their stake funding an annual, universal old-age pension to be known as the Bonosol", or solldarity

About 3.4m Bolivians will be eligible for the "Bonosol" once they reach the age of government officials say 300,000 will receive it this year. The amount ~ equivalent to \$250 - sounds mini-

But for poor Bolivia, where average annual income is around \$750, that could make the difference hetween crushing povarty and and the "more secure, dignified and just old age promised by President Sanchez de Lozada's ruling AMERICAN NEWS DIGEST: 1911-111-111

Power prices may fall 40%

US electrity users yesterday hailed the prospect of much cheaper power as a bill was introduced in the Senate to entrench free competition in the sector. Mr John Anderson, director of the electricity consumers' resources council, said average prices could fall by as much as 40 per cent following the deregulation moves, which have been started by several states and would be mandated at federal level by yesterday's bill. In north-eastern states,

where prices are highest, the fall should be even steeper. The bill, introduced by Senator Dale Bumpers, would give states some discretion in handling the problem of stranded costs" - a backlog of uneconomic investments by utilities, especially in nuclear power, totalling an estimated \$200bn to \$300bn. Some states may bar utilities from passing on the full cost of past mistakes to consumers, Mr Anderson said. Utilities are insisting on the right to recover stranded costs, saying they reflect mistaken government policies rather than business · · · Bruce Clark, Washington

Greenspan call for commission

Mr Alan Greenspan, chairman of the US Federal Reserve, called on Congress yesterday to establish an independent commission to determine annual cost-of-living increases for government benefits and tax brackets. In testimony to the Senate finance committee, Mr Greenspan said he supported the conclusion of a report by a Senateappointed panel of economists last month that the current

consumer price index systematically overstates inflation. Because of the indexing of benefits to the CPL there was an "almost 100 per cent probability" that the federal government was overcompensating pensioners and taxpayers for increases in the cost of living each year. An independent commission would take the issue out of political debate, he said. Gerard Baker, Washington

Argentina pledges peso peg

Argentina will continue to peg the peso to the US dollar and will not devalue for at least 10 years, according to Mr Roque Fernández, the economy minister. Speaking to bankers in Zurich on his way to the World Economic Forum in Davos, Mr Fernández said investors couldsuscribe to a \$500m 10-year peso-denominated bond Argentina will launch on European markets in two weeks without worrying over currency risk.

Mr Fernandez said Argentina's GDP had expanded by 6.6 per cent in the December quarter, taking growth for the year to 4 per cent. Matthew Dorman, Buenas Aires

Salinas speaks out on brother

Mexico's former President Carlos Salinas has admitted in rare on the record interview that his older brother Raul may have been involved in corrupt practices, but denied official charges that the older Mr Salinas planned the

murder of a political rival. By the time he was arrested in early 1995, Mr Raul Salinas had built up a fortune of over \$120m, despite never having officially earned more than \$100,000 as a middle-ranking government official. The current administration charges that he engaged in filicit enrichment," corruptly benefiting from government contacts, although he has denied the accusations. "What my hrother did has hurt me deeply," said Mr

Salinas in the newspaper Reforma. "It has hurt [the reputation of] my government. It has hurt the people of Mexico and it has to be explained," he Daniel Dombey, Mexico City

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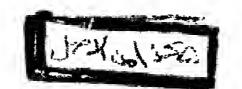
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PISH PERMANENT MUDING SOCIETY 8% Bonds 1999



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But tha proposal, is unlikely to win support from their leaders. Dr Clive Booth, vice chancellor of Oxford Brookes University. pledues peso f who chairs the universities' working group on accountability, said: "An expensive central ombudsman's office is not something universities need or can afford."

speaks out on h

IRISH PERMANENT BUILDING SOCIETY 61/2% Bonds 1999

Notice is hereby given that the semi-annual dividend on the Irish Permanent Building Society's 6'49' Bonds 1999 is payable on 10 February 1997. The record date for this purpose (as defined in Article 4 of the Terms and

Conditions of the Bonds) is 31 January 1997. The Bonds will go ex-dividend on 10th February 1997 and payments will be posted on 7 February 1997. Payments will be effected through Bank of Ireland, Registration Department, 4th Floor, Hume House, Ballsbridge, Dublin 4 who are Registrar for the

Flan O' Sullivan

Envoy to EU faces opposition scrutiny

Chief Political Correspondent

Labour, the biggest opposition party, is reviewing the position of senior government officials involved in European policymaking, with the spotlight falling on Sir Stephen Wall, the UK'a permanent representative in Brussels and a personal friend of Mr John Major, the Conservative prime min-

While party figures say thay have no "hit list" of senior offi-cials, they have made clear that a Labour government would expect

Operation

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overseas is

Education Correspondent

Evidence that management

of overseas courses at Swan-

sea Institute of Higher Edu-

cation in south Wales was

"sertously flawed" was

reported yesterday by the

National Audit Office, a gov-

ernment agency. The

courses generated an annual

income of £400,000 (\$648,000)

A survey of the eight other

higher education institutions

in Wales which offer over-

seas courses found no simi-

lar cases of maladministra-

tion, But Mr Alan Williams,

a Labour MP who first

alerted the NAO to the

Swansea Institute scandal.

said: "It is inconcetvable

that the same temptations

and pressures do not apply

to other institutions across

The financial pressures

facing the UK higher educa-

tion sector have led most

institutions to offer money-

spinning overseas courses.

Soma have come unstuck.

Last year, Southampton

Institute of Higher Educa-

tion, tha biggest in the coun-

try, was forced to shut its

Athens campus, losing more

than £250,000. In December,

the government's quality

our of overseas courses

The NAO called yesterday

for British universities to be

regulated by an independent

ombudsman who would investigate claims of malad-

ministration and safeguard

the reputation of British

qualifications in other coun-

the Welsh Funding Council, discovered that Swansea

exercised "poor control" over the distribution of

examination certificates. In

Malaysia, 500 certificates for

the postgraduate diploma in

business management were

printed locally. The NAO

said this "could potentially

have led to certificates being

issued or sold locally". Swansea'a principal. Dr

Gerald Stockdale, who

resigned last July with a

£127,000 pay sattlement. went on 33 overseas trips in four years. His 18 trips to

Kenya were deemed to be "ill-judged" and "dispropor-

tionate to the income from

The NAO said the Swan-

sea case highlighted "the

need for an individual or

body to discharge an ombudsman-type rola for

higher education institu-

ttons". It said an ombuds-

man would be "a port of

call" for academics with

the courses there".

complaints.

The NAO, working with

offered by Kent University By William Dawkins

in Tokyo

council questioned the rig-

and Strathclyde University.

last year.

the UK.

criticised

By Simon Targett,

offered

European Union.

As part of the review, Mr Tony guished retired officials. They have included Sir Robin Renwick, former envoy to Washington and first half of 1998. South Africa; Sir David Hannay, former ambassador to the United Braithwaita, ambassador to Moscow at the time of the 1991 . with Mr Blair. coup and collapse of the Soviet

his ability to rectify what they say of the diplomatic service; and Sir Labour government arose last year 1993 and 1995 he held the relatively is the UK's tarnished image in the Michael Butler, former permanent following publication of the report junior ambassadorship in Portugal. been asked by Labour to belp plan for Iraq affair. Blair, the Labour leader, has the union's enlargement to drawn on the advice of distin- southern and eastern Europe - an issue that will be central to the UK's presidency of the EU in the

As a serving ambassador, Sir Stephen is obliged to represent the Nations, who has sinca been views of the government of the day appointed the government's special and has been in the uncomfortable envoy on Cyprus; Sir Rodric position of being barred by convention from holding detailed talks However, serious doubts about

representative to the EU. He has by Sir Richard Scott into the arms-

NEWS: UK

The report alleged that in 1992 Sir Stephen deleted a key phrase in a letter from Mr Major to an opposition politician denying that there had been any change in the arms exports guidelines. The draft letter had admitted "minor modifications" to the guidelines.

in spite of the controversy, Sir Stepben was catapulted, on the prime minister's personal instructions, into arguably Britain's most He was knighted last year. Sir Stephen first came to promi-

nence as private secretary in Downing Street during Mr Major's first two years in office. Over the past year Sir Stephen has represented Britain in several

confrontations, from mad cow disease to the protest at the EU 48hour working time directive. Mr Blair has maintained that,

although be would be wary of being part of a single currency in the first wave, be wants to portray Sir Stephen to demonstrate quickly Union; Lord Gilmore, former bead Sir Stephen's credibility with a atively young age of 48. Between towards other EU business. a much more positive approach

Company officials startled by storm over inward investment remark

Toyota chief tries to calm row Record

Financial Times reporters in Tokyo and London

Mr Hiroshi Okuda, president of Toyota, Japan's biggest car producer, yesterday sought to calm the UK political row triggered by his warning that the company's European investment strategy might change if Britain stayed out of European monetary union.

But Mr Okuda repeated his assertion that Emn would influence Toyota's future decisions on which countries would be chosen for any new Toyota produc-. tion in Europe.

"Generally, regarding companies which operate in Europe, a unified currency would reduce currency exchange rata fluctuations and risk - and would be a significant advantage," he said in a prepared statement. Investment decistons would, as before, be deter-

mined by "basic business factors", such as locations and infrastructure, good labour force and logistics. Emn was also one aspect of these factors, he said. But in an apparent moderation of his earlier warning

that additional investment in the UK would be "excessive", with or without Emu membershtp, Mr Okuda said that "future investment in the UK is being considered

Toyots's warning that

A strategy might change if Britain stayed out

of European monetary union

reflects an ill-defined sense

of unease among Japanese

policymakers and top execu-

The message is that

Toyota would - all other

things being equal - be hap-

pler for its European plants

to be inside Emn than ont.

Mr Okuda, one of the few

Japanese company prest-

dents unafraid to speak his

mind in public, has

expressed a concern that

some of his colleagues in

Tokyo share, but prefer not

Officially, other Japanese

lts UK investment

Direct investment in UK Countries of origin: years to March (0m)

10 to 10		1986/87	1988/89	1990/91	1992/93	1994/95
Germany	S 3-2 4 7	58.3	174.9	544.4	. 402.3	1,535.4
France		80.9	215.5	198.8	59.2	1,188.2
Japan		443.5	293.9	1,085.0	109.1	1,156.7
US.		594.2	1.502.4	1,002.3	1,213.1	2,876.9
S. Korea		17.0	26.2	. 23.2	15.9	560.1
Talwan			60.0	26.1	. 13.5	189.0
Total · ·		1.537.7	2,891.2	. 3,875.9	··· · 2,520.2	8,357.3
- ' ' ' ' ' ' ' ' '	71.7					
Projects:	umber .					Type 1995/96
		:				

insisted that Toyota's investment strategy had not changed. The group's "posttion regarding necessary future investment in Europe is now undar study and nothing has been decided", he explained.

warning. "Our investment

versus non-EU members:

out of Emn does not change

sumer alectronics giant

second Japanese company to

open a wholly-owned plant

global level, so. we have

absolutely no intention now

to change that status," said

first Japanese car producer

to open a factory in the UK.

Bnt Japanese officials

"Britain is an important

as one of many options". He 1,000 more jobs was proceeding as planned, for completion next year. Toyota officials appeared

startled by the pre-election political controversy sparked in the UK by Mr Okuda's warning. There were rowdy scenes He said Toyota had in the Honse of Commons

invested £880m (\$1.4bn) in its yesterday as Mr John Major. Burnaston plant in the the prime minister, sought English Midlands, where it to deflect criticism of the employs 2,500 people. An government's increasingly extra £200m investment with sceptical policy on Emu by

insisting that he would not "slavishly follow" polictes which bappened to be preferred by other EU coun-

Pro-European Conservatives pointed to Mr Okuda's statement as evidence of the economic benefits of EU membership. Mr David Ashby said the remarks showed "it is important that we should maintain that gateway and maintain our

Emu worries appear in Tokyo

yesterday distancing them- nal Trade Organisation, said selves from Mr Okuda's there had been "some speculation" among businessmen strategy has not been one of over how Britain's possible European Union members self-exclusion from Emn would affect their investwhether the UK stays in or ment strategy. "We argue a lot among ourselves about

that," said Sony, the con- lt," he said. The debate was as indeciwhich in 1973 became the sive as the UK government's own policy, he said. "Bnt personally, I hope that the UK will join, not just for its own sake, but for the sake car supply base on the of Europe and Japan," he added, reflecting a common view in Tokyo. Mr Kazuyuki Kinbara,

a spokesman at Nissan, the head of the European desk at the Keldanren business federation, said most Japanese businessmen know litwere slightly more blunt the about Emu. "But there is corporate investors were director of the Japan Exter- expressed serious concern, to invest there.

malnly over technical aspects," he said.

The general sense in Tokyo is vague concern that a Britain ontside Emn might entail administrative and foreign exchange costs for companies based there, and that a decline in UK political infinence in Europe would be unwelcome. Noumembership might bring such a decline.

Effective British political backing for Japanese business interests has been a factor in the UK's past success in attracting Japanese investment.

Indeed, the government's mid 1980s commitment to obtaining Customs dnty free access to the rest of Europe for cars assembled in than corporate executives. a small minority of EU Britain was crucial to per-Mr Yoji Sugiyama, executive watchers who have suading Nissan and Toyota

number of projects

Investment in the UK by companies based in other countries is running at record levels. British government offices approved 477 investment projects in the year to March 1996, np from 434 the previous year. These schemes created or safeguarded 96,352 jobs, also a record.

try minister, estimates that the UK's stock of direct investment from other countries rose from £44.3bn (\$71.7bn) in 1985 to more than £150bn last year.

Korean investment

states.

But the UK should continue to benefit from re-investment and new investment by companies not yet established in the EU. Also, the flow of non-EU investment has in the past three years been swollen by capital from EU countries.

approved

By Stefan Wagstyl

The data almost certainly

understate the actual flow of investment because many companies, particularly those with established UK operations, do not notify the government of their plans. Mr lan Lang, chief indus-

US companies head the list, followed closely by Japanese groups including tha three carmakers with UK operations - Toyota, Nissan and Honda. For these countries, with long-established British subsidiarles, reinvestment accounts for the bulk of investment. They have been joined in recent years by a wave of South

Within the Enropean Union, Britain's share of this non-EU investment is so high that some government officials believe It may be inevitable that some new investment from big groups already in the UK will switch to other member

Jspanese and other non-EU companies will diversify geographically. Some already have, notably Sony, the electronics group, which bas extensive operations in Germany as well as the UK.

Editorial Comment, Page 19

£1m-a-year jobs offer tempts City traders expert at a US bank. The advertise- in the securities industry," said Mr executive of Smithkline Beecham,

By Samer Iskandar in London

Photocopiers and fax machines were working overtima in the City of London yesterday as traders and anaing base salaries of film and upwards.

one-million-dollar jobs before, but a offer, for a quantitative trader, prommillion pounds is different; it's a lot ised "unlimited" pay.

ments, placed in Wednesday's Financtal Times by Career Group, a research - "management experience not necessary" - and a senior con-There might have been offers for vertible bond salesman. A third

Charles Foster, managing director of and the UK's second highest paid Career Group. "But there bave prob- senior executive. His base pay recruitment consultancy, offered ably not been that many offered in amounted to £800,000 in the year base salaries of up to £1m (\$1.5m) for just one ad." He also said the base ended December 1995, in addition to lysts copied job advertisements offer- a global bead of quantitative salary indicated as "unlimited" could be higher than film.

Although potential candidates to Monks Partnership, a remuneramight be in their early 30s - four to tion advisory firm. The UK's highest six years' experience is required - earner was Lord Hanson, chairman the chosen few could earn more than of money," said a bond market "This kind of salary is not unusual the likes of Mr Jan Leschly, chief £1.32m.

which Mr Leschly received s further £928,000 in incentive pay according of Hanson, with a base salary of

Yacht saga stirs the Westminster waters

ritish general election campaigns occasion-ally throw up some odd bones for the dogs of Westminster to fight over. But few have been quite as controversial or as ridicuof politics lous as the latest row over whether Queen Elizabeth should have a royal yacht.

For decades, this splendid ship, built and owned by the British government, has been the stage for glamorous royal events. It is one of the more lavish showcases for Britain's fading and divorceridden royalty.

John Major's Conservative government has faced a dilemma. The current ship now 43 years old and on its rejected calls for private seclast voyage - will be decommissioned at the end of the year. So, with the government facing tight spending constraints, would it spend the £60m (\$97m) of public sored". money needed to build a new

The storm has even flung the Queen into the banal whirlpool

the UK which asserts that dragged into the banal world the royal family is an expen- of politics. sive luxury? To the surprise of many

observers - and after nearly week that the money would tor money to be used for the that the Queen would have regarded it as undignified to have a ship that was "spon-

The announcement has

Labour had been caught offone? Or would it bow to the guard by the decision. The growing anti-royal mood in royal family itself was tially confused. But then an

and his colleagues to build a year of deliberation - cabi- royalty. Instead, it was said it might scrap the build-Over the past year. Mr net ministers agreed last aimed at appeasing British ing plans. That triggered the business. In recent weeks, second mistake by Mr Porbe spent building a new ves- Mr Tony Blair, the Labour sel. But the government leader, has made formidable inroads persuading company executives to back his cam- ment - suggesting that the project - privately admitting paign. But senior businessbusiness figures at conferences outside the UK.

ing - accused the govern- crown, the kingdom and its Conservatives claimed that Queen was reported to be "delighted" by the decision.

Labour's response was iniopinion poll said the public was 3-1 against the decision. The decision by Mr Major So the party hardened its. view. First, it said it should the ship had little to do with have been consulted. Then it tillo. He claimed that Labour had been "wrong-footed" by the government's announce-Conservatives were exploitmen also believe the yacht is ing the yacht issue . and invaluable for attracting therefore the royal family for pre-election purposes.

So what is the impact of That was not the impres- the tale? It will certainly not

triggered a row as furious as slon given by the govern- help the Queen, who, anything Westminster has ment, however. Playing a although head of state, has seen in recent years. The more patriotic card, Mr no role in party politics. opposition Labour party - Michael Portillo, the chief Respect for the royal family with its new-found commit- defence minister, said it is on the wane in Britain. A ment to tight public spend- would be a "symbol of the recent television poll suggested that about a third ment of being profligate. The maritime traditions". The of the public would like a republic. Even more do not want Prince Charles to become king.

But the impact on the Conservative party is probably worse. The last few days show that in its current state, the government cannot handle what should be a popular decision. Worst marks of all go to Mr Portillo, however. Three years ago he was seen as the minister most likely to succeed Mr Major to the Tory leadership. A series of mishaps and miscalculations have undermined that position. His handling of the royal yacht business may be the last straw.

James Blitz

UK NEWS DIGEST

Dispute erupts on NI marches

Labour, the biggest opposition party, indicated yesterday that it would reconsider ending its bipartisan approach to Northern Ireland if ministers failed to introduce legislation giving a new independent commission the right to adjudicate on marches there. Sir Patrick Maybew, the Conservative government's chief minister for Northern Ireland, said further consultation was needed on the main recommendation of the five-mouth inquiry into the policing of marches headed by Dr Peter North, vice-chancellor of Oxford university.

The report called for an independent commission empowered by law to decide on disputed marches. The inquiry was set up last July following the disorder in the wake of a last-minute decision by Northern Ireland police to allow the Protestant Orange Order to march through a Roman Catholic estate in the village of Drumcree. The police climbdown led to weeks of street violence. The Conservatives and the combined opposition parties are neckand-neck in the House of Commons, and the fate of the government is in the bands of the anti-nationalist North-ern Ireland MPs of the Ulster Unionist party. Mr Paddy Asbdown, leader of the centrist Liberal Democrat party, said the prime minister, Mr John Major, was undermining prospects for peace in Northern Ireland for the sake of "a few more days in power". John Kampfner

\$1.8bn legal claim thrown out

A \$1.8bn legal claim brought against Ernst & Whinney by the liquidators of the collapsed Bank of Credit and Com-merce International was dismissed in London yesterday by a High Court judge. Ernst & Whinney is a predecessor firm of the present Ernst & Young, one of the UK's "Big Six" accountancy firms. The judge said E&W, former auditors of BCCI Holdings, the bank's parent company, did not owe a duty of care to BCCI (Overseas), a subsidtary for which the sccountants never acted. The liquidators' claim that E&W was liable for damages because it had sucb a duty of care was "long on assertion and deficient on relevant facts", the judge said. The ruling represents a further scaling down of the legal actions being brought against the BCCI auditors by the liquidators. Originally, the claims against E&W totalled \$10bn. This was reduced to \$3.5bn in June 1995. E&W still faces a \$1.7bn claim from the liquidators. John Mason

THE ECONOMY

Strong pound 'slowing growth'

The strong pound has transformed the prospects for the UK economy, hitting economic growth this year and causing s severe worsening of the public finances, a leading forecasting group claims today. The influential National Institute of Economic and Social Research believes sterling's persistent rise means that inflation will remain below the government's 2.5 per cent target until the end of the decade, without the need for further interest rate

But the pound's strength implies taxes will have to rise as slower growth hits tax revenues. The institute has revised down by about one-third its forecasts for GDP growth this year to 2.5 per cent. Its predictions, made in October, put it at 3.4 per cent. It has halved its forecast for export growth in 1997, from 7 per cent to 3.5 per cent. It said its forecast for domestic demand growth was unchanged at 3.25 per cent this year. Mr Martin Weale, the institute's director, criticises the Bank of England and the City of London.

He believes they have not fully adjusted their inflation and interest rate expectations to take account of the pound's rise. Graham Bowley

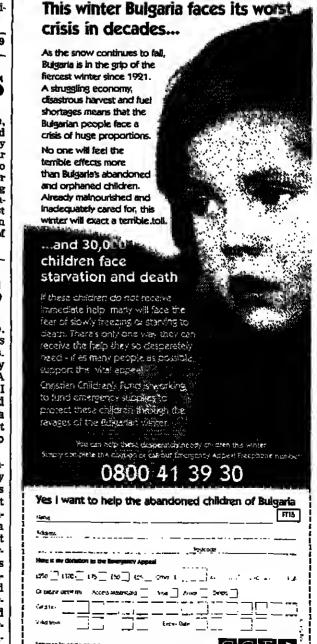
POLLY PECK

Nadir aide walks free from court

Miss Elizabeth Forsyth, a former aide to Mr Asil Nadir convicted of laundering stolen money, walked free from court yesterday after the Court of Appeal in London in effect quashed her five-year jail sentence. Lord Justice Beldam said the sentence, imposed after Miss Forsyth was convicted last March of handling £400,000 stolen from Mr Nadir's Polly Peck empire, was too great and that she should be given immediate bail.

Miss Forsyth, who acted as Mr Nadir's personal banker. was convicted by 11-1 majorities on two charges of han-John Mason dling stolen money.

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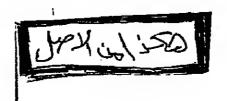
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even profess dis-

interest in football. But few

who saw Chris Waddle's

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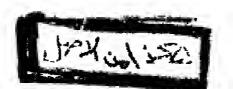
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RECRUITMENT

Richard Donkin looks at ways to value the most intangible of assets - a company's staff

There's no accounting for magic

over the goalkeeper's head from 40 yards, which helped Theodore Goddard, the Lonsecure victory for Bradford don law firm. City against Everton in Sat-Some two-thirds of the

How can you place a value on such goals? How can you place a value on Chris Waddle? Such questions must tax staff. the minds of football managers, particularly since the 36-year-old Weddle, approaching the end of his playing goodwill accounting, and if career, was given a free transfer to one of the FRED (Financial Report

English league's less fash-Beyond football, the value of employees is beginning to attract increasing interest from business leaders, some of whom are showing signs of frustration at the failure of the accountancy profession to devise a satisfactory way of assessing the worth

of human talent. This is apparent in a survey of directors among 120 of uncertain by the Bosman the UK's top service sector companies carried out for Court which allows football

players to move between EU tify potential cost savings. memher states without e unday's FA cup tie, would directors harboured frustra-deny they had witnessed tlons, they said, because transfer fee once their con-

tracts have expired. The biggest difficulty in they believed that accounvaluing company employees tants placed more value on is that, unlike fixed assets, tangible assets, such as propthey are not owned by the erty and equipment, than on business. They can and do walk out of the door.

But recently the accoun-Karen Moloney, of Molotancy profession has been spending more time debating resource consultancy, says evaluations of football playthe proposals outlined in ers could hold the key to finding a process for assess-Exposure Draft) 12 are ing the human or intellecadopted hy the UK's tual capital of a company. Accounting Standards Defining intellectual capi-Board, its nature will tal, she argues, is important

assets - like footballers seen as an investment rather with a limited useful life would be reduced year by Kate Olley, a human year over their estimated Arthur Andersen, says that But this is a highly conif companies could work out tentious issue - made more the real costs of their

human resources, are to be

employees they could mea-

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and, where necessary, iden-

Some of these issues are beginning to attract the attention of the personnel profession as it attempts to quantify its contribution to

husiness development. It may, for example, be incumbent upon personnel to point out the need to reorganise a company's pay and ney and Gealey, a human management structure to give better rewards and recognition to technical staff whose value, under a flatter employment structure, has risen beyond that of many of the managers.

This would only be possible, however, if the business if employees, the so-called had an effective system of valuing the contribution of individual employees.

But most existing evaluations, including employee resources consultant at appraisals, are extremely subjective. Returning to the football field, David Myddelton, professor of finance and accounting at Cranfield School of Management, likes to cite the French national

Cantona, the Manchester ence between harvesting -Uoited midfield player, because the manager does not regard him as a team

Yet Cantona, under skilful club management, has shown that he is ooe of the finest players gracing the English football league. Such observations make Myddelton doubtful that any accounting system could deal with the vagaries of human ability.

t may indeed be a red herring to look towards accountancy for a solution. That, at any rate is the belief of Skandia, the Swedish insurance and financial services company.

For the past five years Skandia has included a supplement to its annual accounts highlighting value creation through human development.

intellectual capital at Skan-

the job of the chief financial officer who focuses on the profit and loss account - and that of looking after the roots of the organisation, the feeding and nurturing necessary to maintain healthy

future growth. The Skandia approach embraces a more holistic view of a company within society that recognises there is a relationship between profit, sustainability, renewal and employment. Accountancy, argues Edvinsson, tends to focus on

the concerns of the stock market that concentrate on financial values, such as earnings per share - another view of harvesting. Skandia is seeking to free

up what it calls its structural capital - what's left at the office when people go

In some ways this concept Leif Edvinsson, director of is similar to that employed by Ricardo Semler at Semco.

squad's rejection of Eric dia, explains it as the differ- the Brazilian industrial products manufacturer. Semler has become less concerned with who the company employs than how the fixed assets are best exploited for profit.

Skandia has developed e series of alliances, collaborative ventures and partnerships that generate profit from professionals not directly employed by the company. In Skandia AFS, its assurance and financial services husiness, the ratio of direct Skandia employees to those employed in the network of alliances is 1:30.

The company has developed an accounting-style format for displaying its intellectual capital, a table it calls the Skandia Navigator. This includes such measures as a satisfied customer index, an empowerment index, and training expenses per employee. But the company also attempts to set out the processes involved in Such processes are heginning to spin off into the overall business. This concept of renewal is driving negotiations with the Swedish government for an insurance led scheme that will allow Swedish employees to take time off work to learn new skills or renew their

expertise. The scheme, called compe tency insurance, is based on the premis that employees will need to spend between 20 and 30 per cent of their time re-investing in training and learning if they are to keep up with changes in the international marketplace.

Employees would invest 5 per cent of their salaries in an insurance policy which would fund leave of absence to undergo re-training. The company is hoping to make the insurance payments tax deductable.

The perception of the Theodore Goddard survey that, to quote the report, bean-counters value bricks and machines more than people" may give accountants some food for thought. In the meantime they will receive few complaints from Bradford City where they'll be talking about that goal

Barclays Global Investors Client Relationship Managers

change. One effect would be

that the value of intangible

ruling in the European

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appropriate. Candidates should be in their mid 20s to early 30s, probably with e

investment banking experience is desirable, candidates with relevant skills from other professional backgrounds will be considered. Personal attributes will include excellent analytical ability, a strong commercial sense and high levels of drive and energy. First class presentation and communication skills should be combined with a proven ability to work effectively at senior management level. Fluency in other European languages would be an advantage but is not essential. These are high profile roles offering exposure to all areas of the bank and excellent career development opportunities. The remuneration package will reflect the importance of the roles and will include a full range of executive benefits.

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Equity Research/Sales

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The successful individual will be a team player with very strong communication skills, a high level of academic achievement and an enquiring mind. The ability to work within a dynamic entrepreneurial environment is essential and the role will require a quick thinking and commercial

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■ recently qualified ACA or MBA with strong mterpersonal skills, or

m graduate with a keen interest in economic/current affairs and good analytical and presentation skills, possibly in a business development, investment analysis or strategy consulting role.

Applicants should forward a CV to our retained advisers, Guy Townsend or Brian Hamill, at the address below, quoting reference GT 2807. Alternatively you may telephone them on 0171 839 4444. All direct responses will be

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Consistent with our clients' investment philosophies the desired emphasis of the international equities approach is stock selection based on the identification of global factors. Ideally your background will include:

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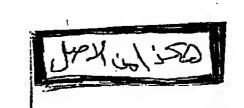
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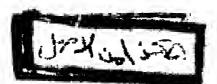
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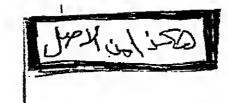
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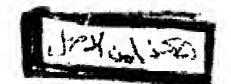
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Ocean's strategic goal is to build shareholder value through consistently increased earnings. Its vision is to be a dynamic, successful, professionally managed and financially sound provider of services in markets throughout the world. To meet this challenge it must attract, develop and modvate high calibre people in all areas of its business. The purpose of International Audit is broad and challenging, while assuring the integrity of financial controls and the quality of information worldwide, it also makes a proactive contribution to business effectiveness, working with regional and local management in helping improve profitability.

Reporting to the Group Finance Director, the prime task is to direct the small, highly skilled, audit team. Key to success will be the further enhancement of the relacionship with operating units.

To qualify, you will be imparient for a fast track career to an international environment, yet recognising that this key role requires at least a three year commitment. You will have a good degree, first time professional examinations passes and an outstanding record of advancement since qualifying, including substantial multinational audiong experience. Of top rate intellect, widely informed, you will be a mature communicator, with natural authority and influencing sloils. Language skills would be valuable and freedom to travel is essential. You are likely to be aged in your early 30s and have considerable career potential.

Please write in confidence to Peter Williamson, enclosing a concise or and remuneration details and quoting reference 052/FT. Explain briefly why we should meet.

Lawless & Williamson

EXECUTIVE STABCH 1 Heathcock Court, 415 Strand, London WC2R ONS

Challenged?

You will be

London

£ Excellent

Our client, a leading global financial institution, is currently enjoying a period of rapid expansion in one of its new business areas. As a result, it now wishes to recruit newly or recently qualified accountants, with up to 3 years post qualified experience, into Financial

The new banking division is about to undergo a very exciting period of expansion and sorequires the addition of two business facing finance professionals. These high profile roles require individuals who are truly impactive. enjoy thinking on their feet and have excellent commercial acumen. Working at the centre of the business, suitable candidates will need to be solution focused, proactive individuals with a proven track record of success in a team. prientated environment. Based in London, these are outstanding opportunities within a truly international organisation. Remoneration packages will clearly reflect the calibre of the individual required.

If you believe that you have the necessary credentials for success, please contact Edward Bathgare or Sarah Hunt at Michael Page City on 0171 269 2490 or fax 0171 405 9649 or write enclosing a detailed curriculum vitae to Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.



Hyder

Regional Financial Controller Dubai, United Arab Emirates

Kuala Lumpur, Malaysia Hyder Consulting, the Infrastructure Developments Managing the implementation of new management

Division of Hyder plc, is a major British company providing a broad range of project management, engineering, commercial and technical services to both the private and public sector through a network of offices in the UK and overseas. The business currently employs in excess of 3,000 staff with a turnover of £140 million.

with financial reporting.

Two key appointments for Financial Controllers are required by our Middle East region and our ASEAN Regional Managing Director. The individuals required

region. Both positions will report to the respective must strive for high standards in a demanding environment in a business that is tightly competitive.

The Roles

- Supporting the Regional MD in managing and controlling business activity comprising project bidding and review, resource management, planning and strategic
- Leadership of the regional financial function involving monthly reporting, cash management and interpreting Key Performance Indicators.

- information systems which integrate project control. Critically assessing business performance through
- monitoring project margins and overheads.

The Skills Required

- Graduate, Qualified Accountant
- At least 6 years post qualification experience gained in a commercial environment
- Proactive with flexible approach; an ability to deal with all levels of staff is required
- Outstanding communication skills with the ability to clearly explain and quantify business plans and performance

The business needs highly competent managers capa-. ble of adding value to the business and providing a major contribution to the all round commercial manage-

Hyder Consulting Limited is an integral part of Hyder which finances, advises on, develops, designs and operates major infrastructure services around the world.

(Please state which position is being applied for)

Applications for the above positions should be sent to Sue Anerbury Hyder Consulting Limited 2 - 3 Cornwall Terrace, Regent's Park London NW1 4QP

Financial Controller

£40-45K + Benefits

Telewest Communications, a UK listed company, is at the leading edge of one of the most dynamic growth markets. With 4.3 million potential customers and a market capitalisation of £1.2 billion. we deliver our services through seven regional operating companies. It is your role to take responsibility for the accounting function within the London South operating region, that covers construction, sales, marketing and operations.

To succeed, you will be a chartered accountant with 5 to 10 years post qualification experience gained in a commercial role. Your analytical and communication skills will be amongst your strengths combined with an enthusiasm to enhance your career in this high profile role.

The functional responsibilities in supporting the FD will include production of quality financial

information and the development of management information systems. Whilst liaising with senior management on all aspects of finance, you will also assist in the drive to deliver efficiency and cost control as the business develops. To apply, please send and fax your details,

including current salary package and quoting Ref. LP9784 to our retained consultants: Holmes and Court Associates, Widegate House, 19 Widegate Street, London E1 7HP. Fax: 0171 247 9272



Financial Controller

c. £40,000 + Car + Excellent Benefits SUSSEX COAST

With a fast growing customer base and an enviable track record in terms of growth, market share and profitability, this highly respected financial services business is one of the most progressive within the industry. Anticipated growth has led to the need to appoint a talented finance professional to play a key role in the development of the business.

small team, you will speament a manufactor of critically appraise operations achos the group from a financial and strategic perspective. For will take responsibility for all management reporting and write with Business Directors to develop effective business unit reporting within an article. unit reporting within an activity based costing framework. Your ability in working with modelling techniques will provide the necessary financial input to the Group's strategic planning process and you will play an integral role in developing all aspects of management information systems.

You will be a qualified accountant with commercial experience gained either within a high volume transaction oriented business or from within the accounting profession, where you can demonstrate a record of success and achievement. You will be highly numerate, computer literate, task oriented and possess outstanding communication skills, both written and oral. This role is an excellent entry point into a successful and profitable business committed to developing management of the highest calibre.

Interested candidates should write promptly to Michael Herst at Herst Austin Rowley, 30 St. George Street, **HERST AUSTIN**

London W1R 9FA, enclosing a full Curriculum Vitae and quoting ref. HAR0113. Fax: 0171 409 7872. Email: michael@herst.co.uk Part of the Harrison Willis Group

MROWLEY

CAPETONN COLOGNE - LISBON - LONDON - MADRID - PARIS - PHILADELPHIA - WARSAW (TIMA)

Head of Management Reporting and Business Control

c.£50,000 + Car + Benefits NORTHAMPTON

I broughout its 30 year history, Bardaycard has istently been the driving force behind development and innovation in the credit card issuing market. This has produced one of the UK's most highly prestigious and instantly recognisable brand names and a decisive competitive.

advantage: A progressive and forward looking employer, Burchaycard is now seeking to appoint an analyticus Senior Miniager to play a key role in the future development of the lustness.

() BARGE

the distincts and reme objective will also leadership in building an effective parties existing methods of operation, implement principles where possible and working the

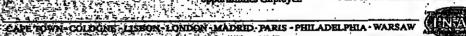
Prospective candidates must be qualified acc probably aged early 30's and upwards, with his financial management experience, gained pleasably chip organisation. Candidates must additionally den effective communications and influencing skills and will be committed to continuous improvement coupled with the a to manage large-scale, complex change and drive it through: Of ... equal importance is an in-depth understanding of IT issues. whilst awareness of leading-edge methodologies such as activity based costing, would be of additional benefit

Interested candidates should write promptly to William Greenwell at Herst Austin Rowley, 30 St. George Street, London

W1R 9FA. enclosing a full Curriculum Vitae and quoting ref. HAR0112. Pax: 0171 409 7872. Emgil: bill@berst.co.uk

MROWLEY Barclaycard is an equal. opportunities employer.

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HERST AUSTIN

International financial management in a world class environment



LONDON > EEXCELLENT + CAR + BONUS The 530 billion PepsiCo organisation employs nearly half a million people in 175 countries worldwide. Our success is built on the highest standards and on global brands supported by outstanding national and international management teams. Now we are looking for an International Financial Manager to work in this fast-moving and entrepreneurial work environment.

Reporting to a senior level and operating within a small, high calibre team, the appointee will be responsible for extensive liaison with senior line management in European operating subsidiaries. The successful candidate will occupy a pivotal role between PepsiCo and its joint venture partner. In addition to analysing region results and providing financial support to divisional managers, the role will encompass special projects of

A qualified accountant (aged 28-33), you will have an exceptional academic background coupled with a minimum of four years' post qualification experience in a fast-moving commercial environment. Alternatively, you may be a high achiever at manager level in a 'Big Six' accounting firm. Of crucial importance are well developed analytical and interpersonal skills which will have given you the self-confidence and ability to challenge and influence at the most senior levels.

PepsiCo is committed to investing in its people and to providing an arena where exceptional young professionals can exercise - and be amply rewarded for - their creative and business flair. The opportunities for personal and career developments are excellent both within PFI and other PepsiCo divisions around the world. To apply, please send your CV, quoting reference BH2686, to our advising consultants, Brian Hamill or Robert Walker at Walker Hamill Executive Selection, 103-105







Jermyn Street, London SWIY 6EE. Tel: 0171 839 4444, Fax: 0171 839 5857.



DEPSICO

Global Equity Derivatives - Client and Proprietary Trading

Outstanding opportunities for high calibre Qualified Accountants (0-4 years PQE)

Business Area Controllers

Deutsche Morgan Grenfell, the investment banking erm of Deutsche Bank, is one of the world's largest banking institutions, operating In over 30 countries with over 8,000

As a leading European investment bank and one of the top investment banks in the world, it is essential that it attracts and develops the very best people.

Due to the rapid expansion of the global equity derivatives business, a number of vacancies are currently available for exceptional qualified accountants at both entry point and The department is developing rapidly and is poised for

extensive growth in line with increased business levels. High calibre individuels can expect rapid progression along with ongoing technical and professional develop These key roles are unusually broad in scope and will cover

structured and vanilla derivative product trading activities. Paremount to the successful performance of the roles will be Highly competitiva packages

building extremely close and proactive working relationships

- with product heads and trading staff. Specific responsibilities will include:
- Product Performance Review Risk Analysis
- Exotie Transaction Decon Client Structure Analysis
- **New Product Imple** Pricing Verification
- Systems Develo

Prospective employees should be qualified eccountants currently working in banking institutions, public practice or blue chip commercial organisations (individuals wishing to be considered for managerial roles must have prior banking experience). Candidates should editionally possess strong academic and professional track records, coupled with self

Interested applicants should contact Paul Marsden or Jonathan Astbury on 0171 353 7533, fax: 0171 353 7703 or write enclosing your CV to **Astbury Marsden Search and Selection**, Hamilton House, 1 Temple Avenue, London EC4Y 0HA. All applications will be treated in strictest confidence.

Deutsche Morgan Grenfell

MOZAMBIQUE

Banking Supervision

It is ODA's intention to appoint an adviser in the Banking Supervision Department (BSD) of the central bank, the Bank of Mozambique. The adviser would be based in Mapuro for a period of ooe year initially starting early 1997.

This challenging post would be central to efforts to strengthen supervision of Mozambique's recently liberalised and steadily growing financial sector. A specialist is required both to help improve the effectiveness of the BSD and to advise on the regulatory framework and supervisory structure to ensure continued compliance with BIS guidelines and sound international practice. At the end of the second year the BSD should be able in function effectively without external assistance.

QUALIFICATIONS

Ideally you will be a senior economist or a Chartered Accountant with more than 5 years' experience in a senior position in a banking supervision department. You should preferably have experience of working in Africa. A working knowledge of computerised information systems coupled with a commitment to making a positive contribution to the work and development of the Department is essential as is the ability to interact with all levels of management and staff. Ideally you will be fluent in Portuguese, though intensive language training will be provided if this is nor the case. Applicants should either be nationals of Member States of the European Economic Area (EEA), or Commonwealth citizens who have an established right of abode and the right to work in the United Kingdom,

TERMS OF APPOINTMENT

You will be on contract to the British Government for ooe year initially in service to the Government of Mozambique, Salary will be c.£65,000 p.a. (UK taxable). Additional benefits will normally include variable tax-free allowances, children's education allowances. free accommodation and passages.

Closing date for receipt of completed applications is 14 February 1997. For further details and application form, please write to Appointments Officer, Ref No AH304/McM/FT, Abercrombie House, Eaglesham Road, East Kilbride,

Glasgow G75 8EA, stating Ref No AH304/McM clearly on your cavelope, or ODA is committed to a policy of equal opportunities and applications for this post are sought from both men and wome



OVERSEAS DEVELOPMENT ADMINISTRATION

BRITAIN HELPING PEOPLE TO HELP THEMSELVES.

Finance **Director**

South London

Circa £50,000 plus bonus and car

This is an exceptional opportunity to play a key role in the business management of an axpanding company, operating In: the international telecommunications software industry and part of a major multi-national.

important objectiva will be to shape the financial and commercial functions so that they are fully Integrated with, and supportive of, sales and service to customers. Candidates will be qualified accountants with managerial

There is a strong commercial dimension to the role and an

experience in a customer-oriented IT environment - Ideally in software - and will have been involved in sales channel contracts. International exposure is strongly preferred.

Applications, please, in atrictest confidence, quoting reference

AGC Selection, Chancery House, 53-64 Chancery Lane, London WC2A 1QU.

BIBRA

Finance Manager/Company Secretary Attractive Salary

BIBRA International is a research association offering fundamental and applied research and advisory services in the biological sciences to industry and Government. The Association operates a multi-disciplinary Laboratory at Carshalton, Surrey and has a staff of 130, mostly comprised of research scientists and technical support staff.

The Association wishes to recruit a successor to the Company Secretary who is due to retire in May 1997. Reporting to the Chief Executive, you will have the responsibility of providing a full financial and secretarial service to the Association, its Council and Executiva Board. Responsibilities will include personnel and may be extended to other aspects of administration. The position is likely to be of interest to a qualified Accountant or Chartered Secretary with a minimum of

five years' post-qualification experience and capable of working under pressure in a multi-functional role. The Association has entered a period of considerable change. Essential attributes will be the ability to help manage such change, balancing and progressing conflicting business priorities. You should also have excellent communication skills with the ability to relate to directors, scientific managers, external clients and professional advisors.

The Association looks forward to recruiting a suitable candidate for this interesting and challenging role. In return, we offer a competitive salary and benefits.

To apply, please send full cv with covering letter including current salary details to: Personnel, BIBRA International, Woodmansterne Road, Carshalton, Surrey SM5 4DS.

Les Echos

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target the French business

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Finance Manager SAUDI ARABIA

Negotiable tax free earnings and benefits

An unusual and interesting opportunity for a mature Chartered Accountant with

An unusual and interesting opportunity for a matter commercial sector experience and good interpersonal skills. Diverse responsibilioes will include:

Board attendance and financial supervision of Group companies

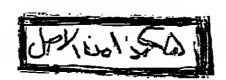
 Monitoring Group interests in joint ventures Management of commercial property and certain trading activities

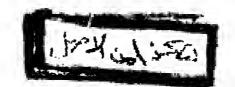
 Assisting and advising Group President generally including personal invest The successful candidate will already have broad experience including expe overseas environments and be used to working on own initiative. He will take over these duoes, which are well established and organised, from the Vice President

(also a Chartered Accountant) who is relocating but will still visit regularly. The remuneration package which is negotiable will include a tax free salary. discretionary bonus, car, accommodation, medical cover and overseas leave with air-fares twice each year.



Telephone: 0171 727 9278 Fac: 0171 229 2150 Michael Nagle FCA, Saba & Nagle International Ltd.







COLGATE-PALMOLIVE

INTERNATIONAL MANAGEMENT CAREER OPPORTUNITIES FOR OPERATIONALLY FOCUSED FINANCE & SYSTEMS PROFESSIONALS

OPERATIONAL/FINANCIAL AUDITORS

SYSTEMS AUDITORS

BASED IN NEW YORK

COMPETITIVE SALARY + BENEFITS + RELOCATION

. Colgate-Palmolive is an USD \$8 billion global consumer products company with operations in more than 75 countries, serving over four billion consumers in 206 countries and territories worldwide.

Our international focus creates opportunities for those who join our New York based audit team. Highly regarded within Colgate-Palmolive, Internal Audit has a proven track record as a major source for Colgate's future business managers, with a career path to international management in either Finance Operations or Information Technology. The team experiences a wide variety of overseas environments and supports subsidiaries in evaluating and improving business practices, processes and control procedures,

We presently seek qualified individuals for the following opportunities:

Our Operational/Financial Auditors are individuals who possess three to six years of financial audit experience with ACA/CPA qualification. International Manufacturing Big Six experience is desirable.

Our Systems Auditors are individuals who possess three to six years of information technology experience with a solid understanding of business processes and operations. Knowledge of SAP R/3 is an advantage.

We want to hear from you if you are a highly motivated team player who is flexible, innovative with strong analytical and interpersonal skills. Excellent oral and written communication skills are essential. It is advantageous if you have a working knowledge of Spanish, French or Mandarin. Approximately 50 per cent of your time will be spent on international travel.

Colgate-Palmolive will be hosting a presentation in London at The Hampshire on Mooday, 10th March at 7pm and will be conducting interviews throughout the following week.

Individuals who would like to find out more about these opportunities should contact Janet Arnold ACA at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. telephone 0171-379 3333, fax 0171-915 8714 or e-mail ianet.amold@robertwalters.com.

Anendance for the presentation is limited. To register, please contact Joanne Kenoett at the above address. Candidates who are currently in the Americas may wish to contact David Hurwood in our New York office on telephone 212 704 9900 or e-mail him at david.hurwood@robertwalters.com.

ROBERT WALTERS ASSOCIATES



LONDON

EXCEPTIONAL OPPORTUNITY FOR A HIGH CALIBRE ACA

TO £45,000 + CAR + EXEC BENEFITS

Supporting the divisions in their implementation of enhanced risk and controls management techniques.

A major subsidiary of BAT Industries, Allled Dunbar is the largest unit-linked life assurance group in the UK and the fastest growing life company over the last twenty ears. Funds under management exceed £18 billion and 1995 pre-tax profits were £153 million.

Strategically committed to an active programme of investment, innovation and the development and retention of high quality management the Group is well positioned to exploit the market opportunities moving into the next century.

A challenging and interesting role has arisen within the progressive internal audit function. This is a key management position and represents an ideal platform from which to progress within the finance function or elsewhere within the Group.

The nature of the role is diverse with wide ranging responsibilities which will include:

 Establishment and development of relationships with directors and senior management, including other British American Financial Services companies.

 Planning and managing audits derived from a review of businesswide risk management systems. GRAHAM

- Proactive involvement in investigations, strategic and ad hoc reviews.
- Management and development of a high calibre team.

Suitable individuals will be graduate, qualified accountants with a strong academic record. Excellent communication and man management skills combined with well developed planning and analytical abilities are essential prerequisites.

In return the Group offers a first class package including attractive basic salary, car, financial services benefits and a comprehensive relocation package.

It is essential that candidates have the potential to progress to director level within the Group.

Interested candidates should write enclosing a comprehensive CV quoting reference TG 3GDO to Paul Toner at:

Toner Graham, 8 Imperial Square, Cheltenham, Glos, GL50 1QB.



SWINDON

Asamera **Opportunity** in Indonesia



Asamera Oli (Indonesia) Ltd., a wholly-owned subsidiary of Gulf Canada Resources Limited, is seeking a Finance Manager. The Manager of Finance will be responsible for providing financial leadership to staff at Asamera's offices in Jakarta, Singapore and Sumatra, with family located in Jakarta.

Finance Manager

The successful applicant for this position will possess a relevant degree from an accredited college/institution, a professional accounting designation, and have a minimum of 15 years' experience in the oil and gas industry, of this at least seven to eight years must be in a supervisory role. Candidates would be responsible for strategic planning, goal setting, coordinating budget preparation, reporting and analysis of operating and financial results, and evaluating major investment opportunities and strategic options, including cash flow and risk analysis. Candidates should have independent decision-making skills required for the planning, organizing, directing and controlling of work and personnel. International experience is preferred, but not essential.

Qualified applicants are invited to submit their resume by February 14, 1997. to: L. Mistelbacher, P.O. Box 130, Calgary, AB T2P 2H7. Fax: (403) 233-5513 E-Mail: lorralne_mistelbachar@gulf.ca Responses will be mailed only to those applicants who are contacted for an interview. No phone calls please.

An eye for the same earlt in this job

ADMINISTRATION

lanager

Assert a series of the best known amounts we place a high level of importance training our fine that, why we are now additional Internal Auditor and the European cadquarters in Cologn and will concentrate on building by our newly calculated global internal auditor. In a will concentrate on building by our newly calculated global internal auditor. In a will concentrate on building by our newly calculated global internal auditor. In a will concentrate on building by our newly calculated global internal auditor. In a will concentrate on building by our newly calculated global internal auditor. In a will concentrate on building by our newly calculated global internal auditor. In a will concentrate on building by our newly calculated in a management issues.

We are looking for someon and and an anagement issues. In our environment is a graduate and a management is a minimum of five years experience in sonbispicated audit practices, problem and onal company and will have fluent written a English.

Figure 2 high profile role such as this and to feel at ease in our environment you will need to the secial awareness and excellent communication skills. Salary will not be a sarrier to

and your full CV, covering letter and salar selections to our selections at the address belows let (1849, 89 854 4595.

The selection matter of part of the selection with our Internet selection and selections. la de la companya de Fax: (0049) 89.82

CAMPBELL & PARTNERS GMBH, ROTTENBUCHER STRASSE 28; 82166 MUNCHEN-GRAF, GERMANY









SONY



Treasury Analyst

Competitive Salary + Car + Benefits

North West

Coats Viyella operates in over 60 countries, with an annual turnover exceeding £2 billion and business interests spanning thread and clothing production, precision engineering, home furnishings and fashion retailing. A vacancy has arisen for a Treasury Analyst to join our Corporate Office in Swinton, Manchester.

You will focus on the provision of analytical support to the treasury team io the management of the group's foreign exchange and debt portfolio. Specific responsibilities will include the evaluation of new financial products and hedging strategies, the supervision of the UK treasury operational centre and adding value to the foreign exchange and cash management practices of the group's subsidiaries. There will be ample opportunity to gain new experience supporting the Deputy Group Treasurer.

Educated to degree level and studying towards ACT membership - if not already a member, you will need a minimum of five years' treasury experience in an international environment and excellent numeracy and communication skills.

If you want to progress your career with a truly international organisation, please apply with full career and salary details to: Nikki Andersoo, Personnel Manager, Coats Viyella Plc, PO Box 7, Lees Street, Swinton, Manchester M27 6DB.

We are an Equal Opportunities Employer

specialist area have been few and far between. Just before Christmas he spotted a very promising job and sent his CV and a covering letter to the recruitment consultants who were handling the

What happened oext, he believes, ruined his chances of getting on the shortlist. The phone went in the

middle of a busy day and it was the recruitment people. At first I thought they were just ringing to make an appointment but then they started asking questions about my current joh and experience. After a few minutes I realised I was in the middle of a preliminary interview. I just wasn't expecting it and I didn't do very well at selling myself.

"I'm sure I'd have heen more convincing if it had heen face-to-face. I wasn't that surprised when I got a letter later telling me I hadn't got to the next stage, says Archer (not his real

If his analysis of why he failed to get further in his application is correct, he was the victim of a growing trend among companies to whittle down shortlists hy using the phone. The attractions of phone interviews for employers are obvions: savings can he made on travel costs, and managers may need to spend less time away from their desks.

But are companies able to make accurate selections using the technique? The preliminary results of one of the first pieces of systematic research on the subject suggest that Archer's hunch was probably correct.

Candidates interviewed over the phone are not rated as highly hy interviewers as those who are spoken to face-to-face, according to a study hy Shell UK, the oil company, with the departments of psychology at the University of Wales, Swansea, and London University's Goldsmiths' College, Shell wrote to 80 appli-

cants for its 1996 graduate recruitment programme, telling them they would be given two interviews, one by phone and one face-to-face,



Troubie calling: the phone interview gains ground

Many are called

Jobseekers must be ready to be interviewed over the phone, says Diane Summers

decision. About half the group had the phone interview to begin with, while the other balf bad the All the interviews used the ficor in trainers and track-

same format but were conducted by different intercandidates were rated on several criteria and total scores were used to decide wbether individuals were invited to the next stage at centre, Overall, the

phone interviews resulted in lower scores, with candidates appearing less prepared. even though they had been told both interviews would

and both interviews would count. One interviewer said contribute to the eelection that a number of the graduate recruits "were not at all uncomfortable with baving face-to-face interview first. an interview sitting on the

> ONE SLIGHT PROBLEM IS THAT MY PRESENT EMPLOYER were not in 'interview You mode'. REQUIRES FIVE YEARS' NOTICE not have this

> > of hody language threw some intersilences more difficult to interpret. Several said later

time preparing themselves as they would do for a get face-to-face interview. It may wound up for interviews, be tempting to read the canwith lots of didate's application form during the interview, know-ing that the candidate canadrenalin, and the telephone interview did hut interviewers oeed to

suit and they

Selecting Personnel by Telephone, J Silvester, A viewees, and Anderson, E Hoddleton, A they found Gibb ond N Cunninghom-Snell. Paper to the British in questionnaires they com-Psychological Society's 1997 pleted that the phone interoccupational psychology con view was very cold, and they ference.

The world's blg advanced materials producers have been trying for years to develop a better, faster and cheaper method of making ceramic fibres. But it looks as if they have been beaten to it.

had received little feedback

from the interviewer. They

suggested that more encour-

agement should be given in

phone interviews and the

preliminary chat needed to belp candidates get into

The researchers concluded

that there were a number of

midelines that interviewees

say those helping graduate

recruits to prepare for the milkround - should follow:

Prepare for a phone inter-

view in just the same way as

interview. Think of ques-tions to ask the interviewer.

Make sure you have pri-

vacy. Relying on a shared

Get yourself in interview

interrupting or speaking at

the same time as the inter-

· You might consider pre-

tending that the interviewer

smile or use facial expres-

sions in much the same way

Interviewers in the Shell

experiment were more posi-

tive about the experience

than interviewees. They

recognised more quickly

when they spoke for too loog

and several were interested

in using phone interviewing

mance as selectors.

improve their perfor-

But, the researchers said

'Talephone interviews

should not be viewed as an

easy option, interviewers

need to spend just as much

see them doing it,

reminded that by doing

so they are paying less

attention to what candidates

as you would in face-to-face interview.

you at a disadvantage.

far as dressing the part.

like Archer, and advisers

interview mode

A patented process for making the fibres could revolutionisa the design of composite materials, which are being used increasingly in everything from aeroengines

The procese has been daveloped over the past you would for a face-to-face eight years by Gerry Curran, a UK inventor. A worldwida search for licensees hegan earlier this month, led by the engineering team at KPMG Corporate Finance in phone in the corridor of a hall of residence could put London -Already though, the pro-

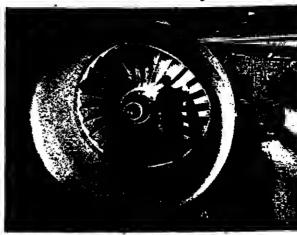
cess is attracting the interest of big advancad materials, • Do not worry ahout silences and take time to aerospsce and industrial companies. Ceramic fibres think. Do not worry about provide the reinforcement in composite materials, giving them stiffness, strength, and resistance to wear and high temperatures - but at rela-tively light weights and denviewer and, if you do not hear something properly, ask for it to be repeated. sities compared with ordi nary metals and metal is sitting in front of you and alloys. The "host" material. known as the matrix, can be metal or ceramic. The main drawback, says

Curran, is the risk of a reaction between the matrix and the fibres, which can destroy their ability to reinforce. This limits composites' tamperature resistance to about 1,100°C to 1,200°C. It has also required complax manufacturing to coat the fibres with another material that acts as an interface.

Curran's solution is "core-

A tough

Andrew Baxter on the potential uses for a ceramic fibre system



Aero-engine role: more efficient at high temperatures

sheath" ceramic fibres. These are produced hy bicomponent extrusion, in which two ceramic precursors or raw materials are extruded through the same

An example would be a core of silicon carbide, one of the most common ceramic fihree, with a protective sbeath of titanium diboride. In an aluminium matrix this an

would produce a composite with the strength of titanium at perhaps 25 per cent less weight. "It just wouldn't

bend," says Curran. According to Curran, the new process is significantly quicker than current existing methods such as chemical vapour deposition, in which a fine carbon or tungsten filament is exposed to organosilicon gas months.

to prodoce the fibre.

He expects rates of 200m to 300m an hour to be achieve as 15cm to 20cm for some existing ceramic fibres. It also provides a better interface, while the fibre is stiffer, stronger and signifi-cantly lighter than its existing counterparts, and has highar heat resistance, possibly up to 1,600°C to

This property in particular could give the new fibres an important role in aeroengine composites. The hot-ter a gas turbine can run, the higher its efficiency in terms of thrust or power produced for a given amount of fuel, while lighter materials improve the thrust-to-weight

There could also be many applications in the auto industry, says Curran, ranging from engine valves to pistons in aluminium cylinder hlocks.

Large-scale manufacturing of such materials is a "big hoys' game," says Andy Hales, partner at KPMG. The big attraction of the process he says, is its "double-whammy" effact. Unlike some new prodocts. Curran's fibres are both better and cheaper to produce than

existing types.
Curran and KPMG, assistad by Bird & Bird, intellectual property lawyers, and Wolff & Lunt, patent attorneys, are keeping an open mind on how to

license the process. "There are a number of variations on a theme." says Hales, and tha search for licensees could take several

Early blood clot catcher

hlood clots at an early stage of development may make it easier to catch patients at risk of stroke or neart attack.

Thrombus Precursor Protein, known as TpP, has een cleared hy the US Food and Drug Administration and is expected to be launched later this year, according to American Biogenetic Sciences, the US hiotechnology company which developed the

technique. The test, which was found to be 97 to 100 per cent

studies, detects elevated levels of soluble fibrin polymers, which are the immediate precursors of insoluble fibrin, the main component of a thrombosis

or hicod clot. According to the company, existing tests for thrombosis are less specific and do not catch the critical early stage of the development of a thrombosis.

According to the American Heart Association, 59m Americans have some form of

cardio-vascular disease. Thrombosis is associated with a wide range of conditions, including stroke, ımstable angina, deep vein thrombosis and pulmonary embolism.

Because early detection of thrombosis can facilitate treatment and so prevent the thrombosis from causing a beart attack or a stroke, tha test is potentially lifesaving. It may also reduce costs by eliminating unnecessary treatments and reducing the number of surgical procedures. performed at a

later stage of Illness. As well as assessing patients' risk of throm the test is designed to monitor the efficacy of anticoagulant therapy, administered during or after

In particular, any surgical procedure involving the circulatory system, such as balloon angioplasty or coronary bypass, carries a high risk of thrombosis. The company has licensed the test to Abbott

Laboratories and Roche

Tracy Corrigan

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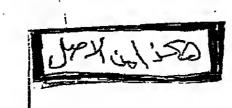
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expects rates of John by an hour to be ather he marketing department is in a Som to Them for the spin and the press office groans with browner a perce into despair. What hope is while the fibre there for promoting this talented Aller, Stronger and State young composer, when be looks standy lighter than its ma so umphotogenic, turns down a to counterparts, and he manibly up to 1,600°C t chance to appear on the National Lottery show and does not even write the kind of music that the three tenors could perform on

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their next world tour? Thank heavens Schubert was born in 1797, not 1997. It is difficult to see how this plain, bespectacled, very private man, with his fondness for intimate musical evenings, could have made any headway for himself in an age dominated by the mass media. Nothing about him was calculated to attract popular attention. Through his music he tells us as clearly as could be that he was a one-to-one person. expressing himself most easily in the personal forms of the string quartet, the piano sonata and above all - song.

Tonight, 200 years after his birth, his bicentenary will be marked on an appropriately modest scale. BBC2 will repeat

Fanfare for a modest composer

Schubert's bicentenary is being celebrated by András Schiff, reports Richard Fairman

its historic film of his song-cycle Die Winterreise in the performance by Peter Pears and Benjamin Britten; and the Wigmore Hall will present a

special "Schubertiad" (the name given to the convivial musical evenings held by Schubert and his friends), bringing together some of the world's leading musicians for a typically varied programme of his chamber music, under the artistic directorship of the planist András Schiff.

In recent years Schiff's championing of Schubert has been second to none. With the bicentenary in view, he has already recorded the piano trios and what is believed to be the first ever complete set of the non-sacred choral music under his new contract with Teldec. part of Warner Classics Meanwhile, his Omnibus profile

of Schubert on BBC1 last week won praise for its calm thoughtfulness at a time when too many arts programmes have resorted to selling their subjects downmarket.

chiff agrees it is an irony that such a self-effacing composer should arouse such intense public interest at the end of the 20th century. "He is popular and getting more popular. More of his music is being heard by more people than ever before", he says. "The Schubert image has changed dramatically in the last 20 or 30 years - for the better. There was a very false Schubert image before, which portrayed him just as a composer of pretty tunes, sentimentality and kitsch. All right. Schubert was one of the great melodists of all time, but

you can't take the melodies out of context."

It did not belp that for the best part of a century only a small proportion of his music tended to get heard. "Great music oeeds to be played by great performers". observes Schiff. "That is how it survives. Everybody knew that Schubert wrote 600 soogs, but they were happy to sing 50, if that. And while great singers did go on singing some Schubert great pianists did not play him. Liszt, probably the greatest planist of all time, made transcriptions of the 'Wanderer fantasy and some of the songs, bnt never played the plano sonatas. People complained they

were too long." Schiff sees Schubert as the last link in the Viennese line of classical composers. "His piano music, for example, doesn't appeal to pianists of the high

romantic school, because it loesn't have enough notes in it. Schubert wasn't a stormy virtuoso himself, but I am sure he played the piano beautifully. because ba couldn't have written

with such sensitivity for the

instrument otherwise. It was a

singing, cantabile way of playing - which is also a kind of virtuosity, but not in the valgar sense, where it means playing loud and fast and without any wrong notes. That's just e mechanical dexterity, which is very much a product of modern-day technology."

All told, the ontlook for Schnbert in 1997 is probably as good as it has ever been. His music has shown its capacity to survive some fairly major social changes, not least the death of the Schubertiad. The tradition of making music in the home disappeared with the television

era ("wby do yon think there aren't any more songs being composed?", asks Schiff) and performances of his chamber music these days happen on a far more public scale.

"At least we have the Wigmore Hall", says Schiff, looking forward to tonight's concert. That is an ideal place to bear this music and I think there is probably more Schubert at the Wigmore than any other composer. But even where there are smaller halls, you often get the answer that making music in them isn't economical. That means that if performers are invited to play there, they shouldn't expect the same fee as they get somewhere ten times the size. We, the musicians, must help keep this tradition alive."

There is also the question of cultural changes. In the next century many of the listeners

likely be far removed from the

background that fostered him. "The example of London and the Wigmore Hall, which has the world's biggest and best series of Lieder recitals, is so important. Nowhere else outside the German-speaking countries can you find this. There is a very strong barrier, a linguistic one, that explains why audiences in France, Italy or the US don't want to hear this repertoire."

or posterity, as Schiff points out, it is actually a good thing that Schubert remained such a private figure. "We say how sad it is that he was lonely, that he never married, never had children, never held any public position, but that meant he had time to compose. Through the music that be left us, we can come close to him today and at the same time discover his unique sense of peace and harmony, which I believe is a basic buman need - for all generations and for all time".

Lack of faith: Jane Gurnett and Richard McCabe in the RSC's new production of 'Three Hours After Marriage'

Theatre/Alastair Macaulay

Comic business goes to pot

hy revive a rare play unless you believe in it? Tha Royal Shakespeare Company's production of the 1717 comedy Three Hours after Marriage is a plain example of lack of faith. Director, designer, composer, and actors: all seem to have decided that tha play needs comady pasted onto it, and they have turned it into a standard collection, of stale comic devices. Most of the acting is designedly poor - the kind of hollow acting that, as in Chriatmas pantomima, invites you to laugh at it and at its material - and part of the audience responds cheerfully. The play itself suffers. This kind of cheap-minded staging is two-a-penny, mind you, but it is dismaying to see the Royal Shakespeare

play whose original authors include Alexander Pope and John Gay. Anyone interested in the work of those two celebrated authors should stay far from this production. Three Hours after Mar-

concerned with bringing

honour to texts - conde-

scending so trashily to a

riage is a modest comedy. and its central plot is at least two thousands years old. A decrepit old man (Dr Fossil) marries for the first time; his bride (Susannah Townley), is a pretty young woman with suitors of her own age. Pope, Gay, and their contemporary, John Arbuthnot, made this a mix of bectic farce, social satire, and - eventually - tender comedy. The farca reaches its climax as the young wife's suitors turn up in disguises that appeal to ber Company - a company scholarly husband: a stuffed crocodile and an Egyptian ought surely to be primarily mummy. The social satire is

principally in the sub-plot: the old busband has a niece with high literary pretensions. As for tenderness: the old man learns more lessons than ona - he learns, as the play closes, kindness of

be fun of the satire ahout female writers is obviously aimed at the several female scribes of the post-Restoration era (Aphra Behn et al), some of whom the RSC has honoured before now. So what do the director, Richard Cottrell, and his designer, Tim Goodchild, do? They put it into Victorian dress. Tha female scribe spouts 18th-century classical nonsense which, in costumes of the Brontes' or George Eliot's era, would fall flat even if they were tolerably acted. Unfortunately, Alison Fiske - seldom a tolerable

actress at the best of times -

(Not Mon)

here trots out her hammiest line in artificial absurdity. with vocal leaps and swoops of the most blatant type. But all the acting here

should be avoided by con-

noisseurs. Jane Gurnett, as the bride, is the least terrible; she brings real good manners to a play that cries out for them, and to a production otherwise devoid of them. Clive Francis, as her old busband, has two brief but lovely moments near the end when he shows real humanity and warmth. In general, however, it is his performanca and Richard McCabe's (in the role of Plotwell) that condescend most cheaply to the play and to the audience: they add 20thcentury lines ("Jolly nice", "A little something I picked up in Poland") even in those rare sections when they are pretending to play in charac-

By the time one of them

referred to the fact that this was press night, you knew they trusted neither play, nor production, nor each other. As Underplot, Adam Godley is virtually as bad,

and much more callow: as he

says, "Whoops". The RSC's already gruesome musical policy goes from bad (most of its other productions) to worse (here). Mark Warman, adding some clodhopping quotations from Chopin and Saint-Saens to his basically Ealing comedy scores, literally orchestrates most bits of comic business and thereby robs them of all spontaneity. No doubt some people will have found the production more amusing than I did: I certainly bope so. But can anybody explain what husiness the Royal Shakespeare Company has in presenting it?

In RSC repertory at the Pit, Barbican Centre.

Clowns and poltergeists

🕇 héátre le Ranelagh

the best physical theatre happens under the banner of the London International Mime Festival. Théâtre le finer moments are achieved through the most simple of Ranelagb is a Franco-Russian clown company which ideas; the manipulation of a seeks to reconstruct an era pair of clear, plastic sheets of strolling players and to simulate stormy seas; the three bungee aerialists who bob up and down to the clumsy burlesque. Its clowns are showmen who ride cossound; and the extravagant tume borses and engage in requisite bouts of slapstick comedy, a little juggling, the odd tumble. None of this is particularly amusing or touching: these are clowns towards whom it is difficult to feel any compassion or

empathy. Like Its cast, Sur la Route de Sienne (a version of Romeo and Juliet) is beavy with its own self-satisfaction. The performers relentlessly milk applause for the most minor feats. Between the tiresome bouts of clowning, Romeo and Juliet emerge as comic book figures, victims of some cruel joker who decided that the comple's primary means of expression should be dance. In an excruciatingly bad us into McDermott's childapproximation of ballet, the hood home - the Manchester lovers engage in one pas de address of the title - where deux after another. While the frightening and disrup-Romeo is hopelessly effemi- tive antics of a poltergeist nate, Juliet graduates from are relived. "Polty's" games

gangly child to featherwith flying objects are marbrained shrew. vellously suggested by small Ironically, in a ahow items on a horizontal line of which favours crude overkill for effect, the one or two As the central character

and parrator of his own tale. McDermott confirms his talent for comic acting. But the assistance offered by Dartnell and Tiplady is also crucial to the show's auccess. At one point, Dartnell, as McDermott's father, almost hijacks the show with a fullthroated, Cowardesque ditty, "I'm worried about the boy", in which he laments his

could learn a lot from the economy son's effeminacy. of means demon-Fact and fiction merge so strated by British company seemlessly in 70 Hill Lane Improbable Theatre, in a that you begin to wonder new show, 70 Hill Lane. wbether McDermott himself Improbable's Phelim might have harboured the McDermott, Guy Dartnell ghostly force he now describea In retroapect. and Steve Tiplady are mas-Added to this, the show'a ters of improvisation who conjure theatrical material generous helping of poetic a sense of time, place and licence - "my father was nothing like that," states drama - out of thin air. Armed with just a few rolls McDermott, matter-of-factly, of sticky tape, some metal after Dartnell's outburst of posts and a couple of newssong - supplies both irresistible humour and fascinating papers, and assisted by Ben Park's live musical accompadoubt to the larger picture. niment, the performers lure

Sophie Constanti

70 Hill Lane tours to West Yorkshire Playbouse, Leeds, February 4-8 and Battersea Arts Centre, February 11-23.

he Salisbury Play Theatre refurhishment com-Play on plete last week with a gala "re-opening" to coincida with the official first old rope night of Gareth Armstrong's production of a puzzlingly hardy perennial, Rope.

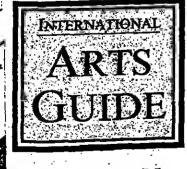
murderers at school are dis-pensed with a nudge-nudge. Patrick Hamilton's 1929 play is something of a curio Armstrong renders tha now, despite making periodic reappearances on the homosexual bond of the central dno discreetly visible, stage. As two brilliant Oxford undergraduates do though little more: jackets away with a third and throw are flung aside and ties loosened in the second act, but a Mayfair supper party on the unexpected re-entry of the chest which conceals his their old housemaster hardly corpse, the author - and. indeed, the director - sucqualifies as coitus interruptus. Nor is there any palpaceed only uneasily in blending Nietzschean notions of ble sense of a similar, latent the amoral auperman, disattachment between the creet homoerotic tension and older man, Rupert Cadall, the period's primitive verand Brandon, the dominant sion of camp: the only sponhalf of the homicidal pair. taneous applausa came on Geoffrey Abbott begins his the exit of Patricia Kane's portrayal of Brandon at an gormless, tongue-tied comic awkwardly high level which turn, Mrs Debenham, and seriously limits his opportureferences to a guest having nities for progression.

similarly constrained by the social gadfly by nature, hobhling around on a gammy leg and compelled to play the sequence of greatest dramatic tension, the uncovering of the dark deed, through an ever-greater haze of drunkenness, Britton's Rupert makes up in Byronic finesse what is forbidden to him in subtlety.

When Alfred Hitchcock filmed Rope in 1948, he rewrote the script bringing the story much closer to that of the Leopold and Loeb murder case of 1924 which may or not have been Hamilton'a original inspiration. The play itself now seems andibly creaky and the entartainment sags under the awkwardly distributed weight of the moral and philosophical content.

Ian Shuttleworth

Salisbury Playhouse until February 8 (01722-320333). Jasper Britton as Rupert is



which, by its very nama,

■ AMSTERDAM

CONCERT 31-20-6718345 Nua Chang: the planist performs works by Shostakovich, Beethoven, Schumann and Lee; 2.15pm; Feb 2

EXHIBITION

31-20-5705200

Sir Lawrence Alma-Tadema: retrospective exhibition of the work of the Sir Lawrence Alma-Tadema retrospective exhibition of the work of the painter Lawrence Alma-Tadema work of the painter Lawrence
Alma-Tadema (1836-1912), who
was born in the Netherland Victorian England he became victorian England he became popular for his idealised, but accurately detailed and accurately detailed and colourful scenes of Greek and Roman life. The exhibition features some 70 watercolours from international collections: to Mar 2

> ATHENS CONCERT

Athens Concert Hall Tel: 30-1-7282333 Janácek String Quartet: perform works by Dvorák. Part of the From Brahms to Dvorák

Chamber Music Festival; 8.30pm;

■ BOLOGNA CONCERT

Teatro Comunale di Bologna Tel: 39-51-529901 Orchestra del Teatro Comunale di Bologna: with conductor Vladimir Yurowski, violinist Ilja Sekler, mezzo-soprano Svietlana Sidorova and the Coro del Teatro Comunale di Bologna perform works by Glinka, Prokofiev and Nevsky; 8.30pm; Jan 31; Feb 1

■ BRUSSELS

CONCERT Palais des Beaux-Arts Tel: 32-2-5078200 (Concerts) Deutsche Kammerphilharmonie: with conductor Frieder Bernius and the Kammerchor Stuttgart perform works by Schubert, 8pm; Feb 3

■ CHICAGO THEATRE Steppenwolf Studio Theatre Tel:

1-312-3351888 • Fur: by Cruz. Directed by Raiph Flores and performed by the Latino Chicago Theater Company. The cast includes Consuelo Allen, Marilyn Dodds Frank and Raul Esparza; Wed -Fri 7.30pm, Sat 4.30pm & 8.30pm, Sun 2.30pm; to Feb 9

■ EDINBURGH EXHIBITION Scottish National Portrait

Gallery Tel: 44-131-5568921 Double Vision: exhibition devoted to stereoscopic photography, first developed in the 1850s. The images, which can be seen through hand-held viewers, include panoramic views, portraits and humorous scenes; to Feb 23

■ FRANKFURT

CONCERT Alte Oper Tel: 49-69-1340400 Dietrich Henschel and Fritz Schwinghammer: the baritone and pianist perform works by Schubert. Part of the Schubert-weekend; 5.30pm; Feb 2

■ HAMBURG CONCERT

Musikhalle Hamburg Tel: 49-40-346920 Philharmonisches Staatsorchester Hamburg: with conductor Markus Stenz perform works by Debussy, Boulez, Busoni and Varèse; 8pm; Feb 2, 3 (11am)

■ HANOVER

EXHIBITION Sprengei Museum Tel: 49-511-1683875 Garten der Frauen. Wegbereiterinnen der Moderna in Deutschland 1900-1914:

exhibition focusing on the work of seven female artists who were among the forerunners of the modern art movement in Germany at the beginning of the 20th century. The display includes more than 70 works by Paula Modersohn-Becker, Gabriele Münter, Marianne Werefkin, Erma Bossi, Clara Rilke-Westhoff, Kate Lassen and Ottilia Reylaender; to

■ LONDON CONCERT

Wigmore Hall Tel: 44-171-9352141 Sophie Daneman, Nathan Berg and Eugene Asti: the soprano, baritone and pianist perform works by Mendelssohn; 11.30am; Feh 2

EXHIBITION Christie's Tel: 44-171-8399060

Houghton at Kenwood: exhibition of Old Masters from the collection of Sir Robert Walpole, Britain's first prime minister. The paintings were transferred to Houghton Hall, Norfolk, on Walpole's fall from power, where they remained for two generations until almost 200 pieces were sold to Catherina the Great of Russia in 1779. Now some of these paintings have been returned, on loan for this exhibition; to Apr 20 **Dulwich Picture Gallery Tel:** 44-181-6935254

 Dramatic Art: Theatrical Paintings from the Garrick Club: exhibition of paintings collected from the London theatrical club, featuring works by Johan Zoffany, Sir Thomas Lawrence, George

Clint and Samuel de Wilde; to Sotheby's; Parke Bernet & Co. Tel: 44-171-4938080

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Shanghai and Hong Kong; Three Centuries of Sino-British Trade in tha Decorative Arts: exhibition celebrating trading links forged with the Far East and their influance on fashion, design and taste in Europe over the past three centuries. On display are over 300 objects, including porcelain, enamel, silver, silk furniture and paintings; to Feb 8

● A Tale of Three Cities: Canton,

■ NEW YORK

CONCERT Carnegie Hall Tel: 1-212-247-7800 Itzhak Periman and Daniel Barenboim: tha violinist and pianist perform works by Schubert; 8pm; Feb 3

EXHIBITION MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400

 For Twenty-five Years: Landfall Press: this survey exhibition of about 35 works celebrates the 25th anniversary of Landfall Press, a leading publisher of contemporary prints in Chicago. It focuses on a selection of the more than 80 established and emerging artists who have collaborated on lithographs with the company. Included are works by San Francisco painter and ceramicist Robert Ameson, from

Feb 4 to May 16

Metropolitan Opera House Tel: 1-212-362-6000 La Forza del Destino: by Verdi. Conducted by James Levine, performed by the Metropolitan Opera. Soloists include Deborah Voigt and Luciano Pavarotti; 8pm;

PARIS

Feb 3

CONCERT Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50 Alban Berg Quartet: perform works by Schubert. Part of the Schubertiada; 8.30pm; Feb 4

■ ROME

OPERA Teatro dell' Opera di Roma Tel: 39-6-481801 Elaktra: by R. Strauss. Conducted by Vladimir Fedoseyev, performed by the Opera di Roma. Soloista Include Elisabeth Meyer-Topsoe and Anne Gjevang; 8.30pm; Feb 4

VIENNA

OPERA Wiener Staatsoper Tel: 43-1-514442960 Capricclo: by R. Strauss. Conducted by Peter Schneider and performed by the Wiener Staatsoper. Soloists include Felicity Lott and Margaretha Hintermeier, 8pm; Feb 3 Listing complied and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands, Copyright 1997, All ights reserved. Tel: 31 20 664 6441. E-mail: artbase@pi.net

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COMMENT & ANALYSIS

Philip Stephens

One system fits all

Even before Hong Kong has been handed over, Beijing has begun its assault on the territory's western values

Officially, there are another 150 days before the British territory of Hong Kong returns to Chinese rule. But after e delay of 150 years, Beijing has grown impatient of the hours. It will not wait until the final lowering of the colonial flag at midnight on June 30. It is starting now to unstitch the fabric of liberty and law which has clothed Hong Kong's extraordinary success.

China cannot be secused of hiding its intentions. During the past few weeks the Beijing-sponsored Prepara-Committee has unveiled plans to amend or repeal 25 of Hong Kong's existing laws. Nor is it an sccident that all the important changes will curtail individual liberties

Thus the Bill of Rights. which bestows on the citizens of Hong Kong the guarantees enshrined in the international covenant on civil and political rights, is to be emasculated. The public order act will be amended to restrict protests and demonstrations.

A new societies ordinance will bar Hong Kong's political leaders from association with parties outside Hong Kong. The western rule of law, in other words, is to give wey to Confucian social order. Politics and subversion are suddenly synonyms.

The Preparatory Committee it seems, has found a Despite pledges willing ally in Tung Cheehwa, Hong Kong's chief executive designate. Mr Tung has been chosen to autonomy, the replace Chris Patten. Britain's last colonial governor, on 1 July. But those who imagined his role might be to speak up for the interests of Hong Kong in international Beijing rather than viceversa have been disahused.

He has vigorously defended the proposed limits on liberty. It would be dangerous, he remarked last week, if the community became too "politicised". It was time to tilt the balance

in Hong Kong from individ- Administrativa Region of Britain, to safeguard Hong ual rights towards responsibilities. He had little time for western critics: "We are going to find our own wsy forward, hut It may not he the way yon like."

Mr Tung has good cause perhaps to be grateful to his new masters in China. His international sblpping empire was hailed out by Beijing when it ran into financial trouble in the early 1980s. The local Communist party is well-represented in his entourage. He has the support of

much of the ethnic Chinese

husiness community. Money is well-represented on the provisional legislative assembly which will displace the present, elected hody after the transfer of sovereignty. Hong Kong's hillionaires bave turned their gaze from the wider world inwards to China. That is where they expect to make their profits in future and they know they will have to play the game by Beijing's rules.

This week's alliance between Citic Pacific, China's main investment vehicle, and Hong Kong's China Light & Power represented another plece in a jigsaw of deals which has pulling down the economic boundaries even before the handover. Hong Kong's transition to s Special

of economic promised level playing field for business is already strewn with rocks

China was not supposed to compromise its economic antonomy. But the promised level playing field for internstional husiness is already strewn with rocks.

Unsurprisingly, planned assault on Hong Kong's freedoms has drawn strong protests from Mr Patten. The Preparatory Committee plans to reconvene in Beijing today. In the hope it might yet reconsider, Mr Petten yesterday issued a lengthy statement outlining the risks to the territory's future, not least to its position as a regional centre for international capital and

investment. Sour grapes, some say. After all, Mr Pstten has been et odds with China almost from the moment of his arrival in 1992. But this time, the controversy transcends personalities. The governor's words have been echoed by the Hong Kong Bar Association and by the Law Society. Neither could be described as a hothed of radicalism. Yet the former found it necessary to remind Mr Tung of some

fairly elementary principles.

"The rule of law does not merely mean that there is a body of law by which the people will he ruled," the Association said in a letter to the chief executive-designate: "The rule of law also means the process of making and repealing law is open, reasoned and in accordance with the lew. If not, those in power can make or change law et a whim and it will become rule by the people in power." Sadly, it is a distinction little understood

in Beijing. guage press has also felt driven to protest. The warnings of outspoken legislators such as Martin Lee and Emily Lau suddenly do not quite so fanciful. If China ever meant to keep its promise, made in its 1984 claimed in this, it joint declaration with retreat from empire.

Kong's way of life for another 50 years, it appears now to be suffering from a serious bout of amnesia.

Outside Hong Kong, bowever, the protests have been muted. True the UK's for eign office has called in the Chinese ambassador in London to register its disapproval. And Malcolm Rifkind, the foreign secretary, has indicated that Mr Pat ten speaks with his support. The State Department in Washington has voiced parallel concern. But this is pro-forma stuff. John Major has an elec-

tion on his mind. Such is the preoccupation with votes in Britain rather than liberties in Hong Kong that his government has so far refused even to offer pass ports to the several thonsand people who will be left stateless after the handover. The prime minister may he forced to relent on this narrow point. We must hope so But I detect no stomach for a confrontation with China.

The MPs at Westminster who so often remind us it was Britain which gave the world democracy, have uttered not a word of reprimand in recent weeks. They are too worried about keeping their seats et the election. As for the Labour party, preening itself as the government-in-walting, discretion in such matters has become a way of life.

Perhaps we should not be surprised. It was probably naive to expect a regime such as that in Beijing to keep its word. It has always planned for one country, one system.

And the moral dimension For once, Hong Kong's in international affairs has usually docile Chinese-langone out of fashion. China is hig business. Public handwringing interferes with what the Americans call "constructive engagement" In which case Britain should stop deluding itself. There is no honour to be claimed in this, its final

LETTERS TOFFHEEDILORS

Number One Southwark Bridge, London SPI 9FIL

We are keen no entroused letters from readers around the world. Letters may be facted to 44 F71 873,

so fine's e-mail: letters adjusted from Published featers are also available on the FT web late. Any

Translation may be available for letters written in the main international briggings.

'Catching up' argument no basis | Politically for a BA/American alliance

From Mr Richard Branson. Sir. Michael Skapinker rightly points out that opposition to the proposed British Airways/American Airlines alliance is growing all the time ("Alliances are in the air", January 25/26). No donbt BA's public relations machine has been active. spreading what can only be described as misleading information about the alli-

ance's supposed benefits. Unfortunately, some of this misinformation crept into your article. BA's claim that it is merely catching up with its European competitors is nonsense. BA was one of the first European airlines to form a transatlantic alliance, through its investment in USAir.

Even disregarding that alliance, the point is that BA's effective merger with American is out of all proportion to other alliances. The Office of Fair Trading has concluded the key relevant market for the merger is that between the UK and

US (not that between Europe and the US as BA consistently alleges) and here BA/ American will be totally

You point out that BA's previous transatlantic alliance with USAir has not been as productive as those of its rivals. Whose fault is that? Enough commentators at the time pointed out the risks of investing in a highcost airline such as USAir which was facing increasing

What is worrying is the way BA and the UK Department of Transport have unnecessarily linked the BA/ American alliance and negotiations for a more liberal hilateral air service agree ment. This puts the UK in a weaker negotiating position and risks producing a deal which is not in the UK's overall interests, especially if the alliance with American follows the example of

domestic competition.

so many others and lasts for only e short period. The key difference

between BA's alliance with USAir and American is not the greater access the latter gives to the important US domestic market, but the immunity from competition laws which BA and American are seeking in the UK,

US and Brussels. What the two want to do is something which would otherwise be illegal - for example, to collude in fixing fares. Given that it is very difficult, because of airport congestion, for other airlines to mount effective competitive services, the inevitable result will be higher fares and poorer services. The weak, tentative proposals by the OFT to force BA/American to divest a few Heathrow slots will make no real

difference. This is an alliance too far. It should be stopped now.

Richard Branson. chairman Virgin Atlantic Airways, 11 Holland Park. London W11 3TH, UK

(in)correct

All Tally

Rrom Mr Markus D. Niederhauser.

Sir. Notwithstanding anything that has been said, will be said, and will be discovered about the debatable or downright wrong way in which the small country of Switzerland - its government and its people (this being a direct democracy) resolved e certain number of conflicts of interest once it had decided to take up the gauntlet thrown by Nazi Germany, rather than have itself invaded without much of a pretence of a fight, and therefore eventually had to live not with an occupying force upon which all evil can be blamed, but with a threatening enemy all around its borders which conditioned its sovereign acts, would you please explain how you come in your leader "The Swiss and the Holocaust" (January 27) to say that there is an element of "blackmail" in certain demands made on Switzerland and in the associated hint of boycott?

Are you not sware of the fact thet the politically correct have started an almighty row because the then (1996) president of the Swiss Confederation has ...

Be that as it may, I am lcoking forward to reading editions about e suitably worded outcry from the

Chemin de la Baumaz, Les Tuileries. CH-1422 Grandson.

used similar words?

in one of your forthcoming politically correct in protest against your devious instru-

Markus D. Niederhauser,

Good prospects for those with diabetes

From Professor Jak Jervell. Sir, Genetic discoveries with the potential to prevent diabetes in the future are indeed exciting ("A promising genetic path", January 30). However, your article offers an unduly hopeless scenario for those who are living with diabetes today.

To state that people with diahetes " . . . manage only to stave off serious ill health for a while" is simply not true. With good management people with both insulin

dependent (Type I) and non-insulin dependent (Type II) diabetes are living long. active lives and are no longer predestined to suffer serious complications. The focus must be on the millions of people who.

through poverty or a lack of

swareness about the disease, do not have eccess to the necessary education and treatment

In a number of countries diabetes is mistakenly perceived as a contagious or

facing social discrimination. In many developing countries people with diabetes simply die undiagnosed or cannot afford the necessary treatment Jak Jervell

addictive condition which

leaves people with diabetes

president, International Diabetes Federation, 1, Rue Defacoz. B-1000 Brussels. Belgium

Revival of Nepalese dam project resurrects concerns

From Mr Chris Underhill. Sir, It was with very considerable alarm that I read your article "Revival of Arun dam project sought" (January 27).

The original opposition to Arun has been frequently misrepresented as being purely environmental. In fact, many groups both inside and outside Nepal were equally concerned about the load it would put on the national budget;

about the technical and economic viability of the scheme; and about its limited impact on poverty, given that all of the power was destined for the existing grid, which reaches only 10 per cent of the popu-

In particular, we felt that the execution of such e large scheme hy foreign contractors could stifle exciting developments of indigenous capacity in Nepal to de-

velop its own hydropower. These factors led us to argue that the project was an inappropriate use of World Bank money - a point of view with which the bank

finally concurred. While private finance may alleviate stresses on the Nepalese government's budget, it will do little to address the other issoes raised by Arun.

Any future process of consultation would be well-

edvised to revisit the valid questions raised by local Nepali groups when the project was first proposed, rather than dismissing them off-handedly as the environmental hang-ups of a "deepgreen" international lobby.

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Chris Underhill, chief executive, Intermediate Techno Myson House. Railway Terrace, Rugby CV21 3HT, UK

Europa · Grigory Yavlinsky

A chain of calamities

The west must recognise that the failure of Russian reforms has created new dangers



A few months ago the press reported the death of Pro-

Nuclear Centre in Snezhinsk, s top-secret city founded in 1958 to construct and maintain the for- international terrorism, mer Soviet Union's thermonucleer wespons. The director did not die of natu-

ral causes; he shot himself. Mr Nechai committed suicide because a lack of money meant be could no longer ensure the safety of the operations or pay the staff. He wanted to draw the world's attention to the threat to the safety of nuclear weapons in Russis. Several months have passed but nothing has changed.

This is not an isolated event. During November and December last year, nuclear power workers went on hunger strike at the Leningrad atomic power plant and elsewhere to secure payment of their salaries. And with Russia's soldiers not being paid. the sale of modern weapons people becomes inevitable.

ger to the Russian people which the ruling oligarchy is unable to avert. However, the scale and nature of the dangers that have emerged as a result of the failure of reforms in Russie should also be recognised by west- nist, neither conservative

This poses a serious dan-

itself with the knowledge and rapacious. that Russla is unlikely to return to communism. But does this mean that democracy and free markets will prevail? The answer is no. New menaces to both Russia and the west are emerging.

 The loss of control over nuclesr weapons, nuclear materials, and other weapons of mass destruction. • The development of a breeding ground for terrorism and organised crime. · A high prohability of

large-scale environmental Against these threats, the west's defensive measures fessor Vladl- are completely misdirected. mir Nechai, Nato was effective as s director of means of preventing war in the Federal Europe, but it is not adequate for sddressing the new challenges of controlling nuclear weapons, thwarting

curbing organised crime and

evoiding global environmental catastrophe. Tragically, the current "transition" in Russia raises precisely these concerns. Far from creating a market economy and a political democracy, Russia has formed and consolidated a semi-criminal oligarchy. This malign structure was alreedy largely in place under the old communist system: efter communism's collapse it changed lts appearance, just as a

snake sloughs off its skin. The perception that the "transition process" was started by a reformist government trying to move Russia from socialism to capital ism is only partially true. Old Soviet monster monopolies were left untouched, private property rights were not implemented, competition was rejected. The nomenklatura seized control of the government and Russia's resources jointly with the underground economy and the criminal world.

The new ruling elite is neither democratic nor commnnor liberal, neither red nor The west can comfort green. It is merely greedy

It cannot tackle important social and economic questions, only those that affect lts own sbort-term power and its property. It is unable to deal with the grave security threats. In fact, it exacerbates them.

The Russian economy was not just damaged by central he will produce only for himplanning; it was created by self and his family. Under central planning over the 70 yeers of communism's can be no division of labour uncontested reign. The absence of institutional changes during the transition to the market has inevitably created an economy of

a semi-criminal nature

which prevents industry's

development. squeezed. Thus the tragedy in Snezhinsk was not a rary difficulties, it was a link civil society based on a free in a chain of calamities.

What is to be done? The creation of self-regulating resources should be conmechanisms that might trolled hy production improve the situation would be e start.

The market is the most important such mechanism. But a market economy must be based on private property. and competition. In Russia, this cannot work properly hensive reform of the tax because there are no genuine private property rights and rules of competition.

purse may be stolen et any jects. Government employmoment, all one's energy is devoted to protecting oneself from this threat. Similarly, if a would-be husinessman

knows that everything he



Yavlinsky: potential is squandered'

creates is likely to be stolen. such circumstances there and no economic progress. How then, can the victors

circle of criminalisation and

corruption be broken? There are no easy solutions. First the monopoly of the oil and gas barons, the only ones who generate profits. As a result, economic must be broken up. But also potential is squandered and needed are a radical decengovernment revenue tralisation of power, land reform, increased competition, free trade, judicial reflection of purely tempo- reform and the creation of a and independent press. The development of natural sharing laws, which would allow the state and local

communities to share in the benefits. Meanwhile, the limited governmental capacity availeble should focus on compresystem, as well as establishing savings and insurance funds to channel money into If one knows that one's long-term investment proees should be rewarded for success in promoting eco-

nomic growth. Yet the likelihood that President Yeltsin and his government would bring about even such modest changes is low. If they understood what needs to be done, there would be far less

of s problem.
Russian people and west ern leaders must understand the dangers they confront. They should abandon their complacency about Russia and its supposed transition to a market economy. We all need to worry about the common menaces we face and the criminal state that is emerging from the roins of the Soviet Empire: Our vital interests coincide.

The author is leader of the liberal Yabloko party and chairman of the Centre for 'economic Economic and Political

BUILD, OWN, OPERATE, TRANSFER (BOOT) EXPRESSION OF INTEREST FOR VADODARA-HALOL ROAD PROJECT

Infrastructure Leasing & Financial Services Limited (IL&FS), on behalf of the Government of Gujarat (GoG) is seeking Expressions of Interest (EOI) from experienced companies/joint ventures ("Applicants") to build, own, operate and maintain the Vadodara-Halol road project on a commercial format, to collect tolls including the design and implementation of an adequate toll collection and management system and to transfer the project to the GoG at the end of the concession period.

PROJECT

Gujarat is among the highly industrialised states of India and today maintains an eminent position on the economic map of India. Vadodara-Halol is e State Highway (SH87) link road connecting Vadodara, the second largest Industrialised city in the State of Gujarat, to Halol, an industrial hub of Vadodara.

The project road extends from km 8/300 at the intersections of SH87 with Vadodara bypass (National Highway 8 bypass to Vadodara city) and ends at km 40 et the start of Halol hypass. The project road primarily caters to industrial and goods traffic movement and passenger work trips to and from Vadodara to Halol. The project road also provides the ehortest link for long distance industrial and goods traffic moving from Bombay and other parte of Western India to parts of Northern and Central India.

Project scope entails strengthening the existing 2-lane carriadeway and widening it to a dual 2-lane carriageway along with the provision of service roads. Length of the project road ie 32 kms. The project is proposed to be implemented on a BOOT format, with recovery of investment proposed through a levy

IL&FS is assisting GoG in preparing e detailed feasibility study for the project, which would examine the techno-economic, environment and eocial, and commercial viability of the project as well as the risks associated with it. The draft feasibility report has been received and will be finalised by January 31, 1997. IL&FS will also assist GoG in raising finances for the project. Land acquisition for the project is underway. The World Bank has been involved in the preparation of this project and the project could be eligible for financing under the line of credit from the Bank to IL&FS. The project will be domiciled in a Special Purpose Vehicle which would he eet up with equity participation from GoG, IL&FS, selected Applicant and others. The SPV and GoG will be responsible for obtaining all the clearances for the project. The legal fremework has been amended by the GoG to sllow for the levy and collection of toll on widened and strengthened eections of State roads. The GoG proposes to utilise this approach for implementing other road projects.

EXPRESSION OF INTEREST

Potential qualification will be open to Applicants: (1) from eligible countries as defined in the Guidelines: Procurement under IBAD Loans and IDA Credits, and (2) who provide an Expression of Interest (EOI), as described below.

The Feasibility Documents may be purchased from IL&FS at the address given below. The Applicant must make e written request for the Feasibility Documents and include payment of Rs. 10,000 or \$ US 300. The written request must state: "Request for Feasibility Documents for Vadodara -Halol Road Project". With the Feasibility Documents, IL&FS will also provide prefirminary qualification criteria and further instructions for potential Applicants. GoG/IL&FS request the potential Applicants to provide written comments concerning the preliminary qualification criteris. Comments concerning the Feasibility Documents will

not be considered at this time. GoG/IL&FS will conduct a site visit on Februsry 27, 1997 and a pre-submission conference on February 28,1997. At that time, GoG and IL&FS will request any additional comments concerning the qualification process. The Expressions of Interest must be received on or before 5 p.m. Indian Standard Time (IST), March 14, 1997.

The final Request for Qualifications ("RFQ") will be provided to those Apolicants who have demonstrated proper Expression of Interest in the Project. A proper EOI by any legal person or body corporate will require: (1) Attendance at the pre-submission conference and eite visit by a eole applicant or a joint venture member; (2) Submission of a lettar expressing interest from a sole applicant or a joint venture member; (3) Submission of evidence showing that it is duly euthorised to submit a bid and to subsequently enter into an agreement or contract in the event of acceptance of such hid and to further initiate, conduct and conclude negotiations in relation thereto. The letters required in (2) and (3) must be signed by a person who is lawfully entitled to make

the representations contained in each. Applications to Qualify will only be considered by GoG/IL&FS from those Applicants that have obtained the RFQ directly from IL&FS as a result of the process outlined above. All pertinent details regarding qualification regulrements will be contained in the Request for Qualification documents. Only those qualified by this procedure will eventually be invited to hid for the project.

Potential applicants may obtain the documents from:

Ms. Sangeeta Anand Manager (Infrastructure) Infrastructure Leasing and Financial Services East Court, Zone VI, 4th Floor India Habitat Centre Lodhi Road, New Delhi 110 003.

Tel.: 463 6637/41/42. Fax: 011-463 6651.

FINANCIAL TIMES

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Friday January 31 1997

need reform

hoped to gain leverage over the mighty chaebol conglomerates. attractive, but it would be a mistake. There is always a con-

rules preventing them owning

banks. They could then take

them over, absorb their losses

flict of interest when an indus-

trial company owns a hank.

Such banks risk lending too

much within their own group.

The change would foster pre-

cisely the concentration of eco

governments have sought to

avoid. Besides, banks would

have little incentive to provide

much-needed credit to small

belp make the hill more palat-

able for the taxpaver. First

supervision must be improved -

it beggars belief that supervi-

sors apparently failed to notice

Second, the involvement of

foreign banks would introduce

new skills and enhance competi-

tion. The admission of foreign

banks - either on their own, or

as shareholders in local banks -

should be integral to reform.

Korea should not hide behind

the excuse that the domestic

banks need to be strengthened

permanent fixing of exchange

rates. Yet such gains are not

The flood of foreign invest-

ment into the UK coincided

with a period of considerable

instability in the pound's value

egainst other European curren-

cies. Sterling's exit from the

profitable base for production.

Yet Mr Oknda is right to

express concern. What worries

him - and many other business-

men - is not necessarily the

exchange rate but what hostil-

ity to the single currency

implies. If the UK is neither in

the first wave of Emu nor shows

any willingness to join later, it

would become increasingly iso-

lated within the EU. Ultimately its position in the EU could

This does not mean the UK

must join Emu as soon as possi-

ble - though in the right condi-

tions, that would be beneficial

It does mean that UK politicians

must cease their abuse of the

project. The UK must at least

remain a sympathetic observer

and keep entry as a serious

option. To turn its back on Emu

altogether could undermine the

UK's capacity for harmonious

Okuda was right to warn the

become untenable.

necessarily decisive.

the Hanbo crisis looming.

Two parallel measures would

nomic power which successive

This might be politically

and knock them into shape.

bo's problems are the natural

outcome of a long Korean tradi-

tion of using banks to direct

By doing so, governments

But Korean companies are left.

with dangerous gearing, while

banks are saddled with moun-

signal that banking reform has

become urgent.

tains of bad debt. Hanbo is a

Such reform is likely to prove

difficult, because it requires a

decision about who is to be

responsible for the unrealised

losses lurking in the system.

With average bad and doubtful

loans estimated at around 8 per

cent of total lending, many

banks face serious problems.

made worse by sharp falls on

the stock market which have

One solution might be to fol-

low the pattern established else-

where and spin off bad debts

into a special vehicle for which

the state takes ultimate respon-

sibility. The banking sector

could then be rationalised

through mergers of basically

This approach would be

unpopular because the taxpayer

of Toyota Motor, has delivered

an oblique, but unmistakeable,

warning of the dangers inherent

in the UK's ambivalence on

European monetary union. Despite the qualifications to his

comments, his message was

clear, he would prefer Britain to

be inside Emu rather than out-

Mr Okuda's views must be

seen in perspective. No interna-

tional company will revise its

strategy towards investment in

Britain overnight. Whether or

not the UK joins the monetary

union in 1999, it will retain

many of the advantages that

have drawn so much foreign

investment in the last 15 years,

including low-cost and flexible labour markets, high-quality

business services, and the

English language. It will also

remain within the EU's single

Toyota late last year pledged

to add a further £200m (\$320m)

to the £1hn already invested in

the UK. This long-term plan was

made, it should be remembered.

when the government's lack of

enthusiasm towards Emu was

Moreover, the impact of cur-

rency union per se can be exag-

monay on foreign exchange

ers. They could also benefit stake.

market.

already clear.

inadequate solution.

The adviser is to head an

whose remit will include food

safety, quality and labelling. It

will, to some degree at least,

co-ordinate the work of the

existing, and sometimes confus-

ing, network of half-a-dozen

standing advisory committees

to the health and agriculture

departments. Thesa tackle

chemical, medical and biological

aspects of food safety, novel

As far as it goes, this is fine.

But it does not go far enough. In

recent years, and most notably

problem has been less one of

advice than of action. Further-

picion that ministers plan to

foods and processes, and BSE.

would ultimately have to bear before the market opens.

Quiet warning

Mr Hiroshi Okuda, the president from the stability created by the

side it. His remarks are a timely European exchange rate mecha-

reminder of how closely the nism did not seem to put off

UK's interests are linked to foreign investors. The currency those of the international businesses located within it. is merely one factor in determining whether the UK is a

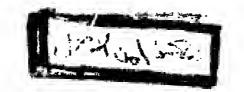
gerated. Exporters would save membership of the EU itself. Mr

transactions with EU custom- country of how much is at

eroded their reserves

sound institutions.

credit to selected enterprises.



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MDAY JANCARY 31 1997

Politically (in)correct

From Mr Markus D. Nuderauser D. Notes reason to thing that has been said at the debatable and will be debatable and the debatable a GOMETER: MODE EST D When the small countries as Switzer and its people mig Petricia de la company de la c SECONAL SECTION OF THE PROPERTY OF THE PROPERT COTAL 12 12 12 12 10001 that decided to take the Carrie: :: 20.02 p. 75 Cornery rather than he

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scientific expertise, in order to help reassure a public which no longer believes its politicians. more public reassurance. The issue here is not public relations, but public safety. And the reason public safety is in doubt lies in a basic tension yesterday's move does not address: that the Ministry of Agriculture (Maff) is both champion of the producer and protector of the consumer.

Off-Food separating. A body more akin to The government's announcement yesterday that it is to the US Food and Drug Adminisappoint an independent food tration needs to be created with statutory powers as well as safety adviser is a welcome recadvisory functions. It would ognition of a problem hnt an need to take prime responsibillty for regulation, inspection expert Food Safety Council and enforcement, and be able to

propose legislation in areas of food standards and quality, consumer information and public health. Such an agency will need to know the industry as well as be independent of it; this may lmply some inevitable duplication of activities with Maff. It will also, in itself, be no panacea. Awkward boundaries would remain with health. And the balance to be struck

between producer and consumer interests will never be an over the handling of BSE, the easy one. But an open, expert, independent and engaged voice speakmore, there are grounds for sus- ing for the consumer, while Maff retains its role of promoselect the independent adviser ting the industry's economic as much for media skills as for performance, would at least allow that balance to be sought with greater transparency and

Such a reform, not just in the UK but elsewhere in Europe. would also make it easier to resist ideas for a heavy-handed European-wide food standards agency. If European regulation is stepped up as Mr Jacques Santer, the Commission president, desires, it should operate These two functions require only with the lightest of touch.

COMMENT & ANALYSIS

Name of

Worldwide

249,928

Hyatt Hotels

Cartson

84,607

Rooms with a global view

Hotel groups are rushing to complete their worldwide networks through a series of mergers, says Scheherazade Daneshkhu

Korea's banks hotel on the Grand Canal has had many distinguished owners since it was reputedly bome to the city's Doge in the 15th century. But the pace of The collapse of Hanbo, the the cost. Also, it does not change is accelerating with the Korean steel company, with address the need to upgrade venerable hotel likely to have a bank debts of \$5.8bn was a banking management. Since the third proprietor in three years if Hilton Hotels is successful in this calamity waiting to happen. chaebol themselves would be week's \$6.5bn (£4bn) bid for ITT. Though corruption may have well placed to do this, an alterits closest rival in the hotel and played a particular role. Han- native would be to drop the

gaming business. ITT acquired the Gritti Palace in 1994, when its Sheraton chain bought the 32 luxury hotels in the Italian Ciga group that was once controlled by the Aga Khan.

The acquisition was part of ITT Sberaton's strategy to become "the number one hospitality company in the world" hy plugging gaps in its network in Spaln, Greece and the Nether-

Mr Stephen Bollenbach, chief executive of Hilton Hotels, has a similar mission. Since taking up his post last February he has launched a strategy aimed at giving the Beverly Hills-based company greater global reach.

This is an affirmation of our belief that the business is one that will consolidate," he said on Tuesday

Hilton Hotels' bid, announced on Monday, comes almost a year after Granada Group, the UK TV and leisure company, took control of Forte, the UK's largest hotels company, after a £3.9bn hostile bid. These big deals reflect an upturn in the interna-tional hotel industry after the recession and the Gulf war in the early 1990s.

The economic recovery has stimulated an increase in travel and tourism which is lifting hotel revenues and profits in most parts of the world, according to Horwath International, the New York-based hotel consultancy group. The exception is some European countries, notably Germany and France.

"The lodging industry in the US is at its best shape in history," says Mr Ken Wilson of Horwath international. "The economy is good throughout the country. With businesses stronger, employment growing and consumer confidence at a high level, demand should continue to

The hotel business is already a big industry, with annual turnover of \$250bn. That reflects the importance of travel and tourism which accounts for 10.7 per cent of the world's gross domestic

Tourism is also one of the world's fastest-growing industries. The World Tourism Organisation, the UN's Madrid-based agency, expects international tourist arrivals to rise from 456m in 1990 to 660m in 2000 and to 937m in 2010 -

double the present level. part of the accountancy firm. The But, possibly more important chains with the widest networks in the global expansion of the have botels in less than a third of botels chains is the growth in countries and only a bandful operate in more than 60 counbusiness travel. American Express, the charge

companies which spent an estimated \$148bn last year.

Corporate customers increasingly want a global service which patible hotels." there is no truly global hotel Sheraton, Marriott and Inter-Concompany, according to Mr tinental have increased their Andries de Vaal, partner at share of the stock of botel rooms Deloltte & Touche Consulting, from 26 per cent in 1989 to 31 per intended to dispose of Forte's service hotels."

ceeds, it will get a terrific international network of broadly com-

cent in 1993, according to the World Tourism Organisation. In the race to reach new markets. they have set themselves ambitious growth targets outside the mature US market which they

International hotels

51.4

48.6

3.1

36.9

22.7

10.9

6.0

12.7

Source of business

Composition of market

Business travellers

Tourists (individual)

Conference participants

Own reservation system

Travel agents

Tour operators

Cash sales

Credit card sales

Composition of advance reservations

Method of payment for hotel services

Topics most often addressed in

companies' travel policies, %

Percentage of advance reserve

Tour groups

card company, estimates that US
companies spent \$156bn on business travel last year - 8 4 per cent increase on 1995. The rate of cent increase on 1995. The growth was similar for European bas a very strong representation a record 280 hotels last year, up yet been made regarding which around the world so if Hilton suc- from 234 the previous year and of the two companies would opernow operates or franchises 2,250

hotels. offers them discounts for using a Large international chains 2,800 botels," says Holiday Inn. bach is likely to have the next single hotel chain worldwide. Yet such as Holiday Inn. Hilton, "The areas which have the great-deal on his mind. est growth opportunities are Europe and the Far East."

international Méridien chain and concentrate on UK hotels, plans to hold on to the chain and double the number of its rooms to 50,000 by 2000.

If Hilton succeeds in its bid for ITT, it will put further pressure on other companies to follow

"If this deal succeeds, it puts further pressure on Marriott to scquire outside North America and also on Bass to accelerate the expansion of its Crowne Plaza [upmarket] brand," says Mr Greg Feebely, leisure analyst at Dresd ner Kleinwort Benson, the invest-

The large botel chains - which do not, in the main, own their properties - have sought to expand by winning management contracts to operate hotels on behalf of owners, or through

franchising. Strategic alliances, such as the recent partnership between Four Seasons, the Toronto-based company and Carlson Hospitality Worldwide, the privately-owned US travel group, to expand the Four Seasons-owned Regent International chain have also been on the increase.

ecuring these deals reflects the increased importance of having a strong brand which botel owners will want to hang over their door. Much of the world outside the US is still virgin territory where only 20 per cent of the botel stock is part of a branded chain, compared to 70 per cent in the US.

"There is a move towards chains and branding," says Holiday Inn.

Until recently, however, Hilton Hotels was unable to grow outside the US because it had sold lts non-US chain in 1964 and could not use the name in other countries. But last summer Mr Bollenbach took the first step towards recreating a unified brand with a strategic alliance with Ladbroke, the UK-based company, which now owns the rights outside the US. The agreement covers joint marketing, with Hilton Hotels taking a 5 per cent stake in Lad

That alliance appears to have made the current bid for ITT possible, since it will allow Hilton ate the hotels.

ITT has yet to respond to Hil-"We have said that we want ton Hotels' offer. But Mr Bollen-

"The hotel business is booming." says Mr Bollenbach, "It is a Granada, which originally wonderful time to own hig full-

Two halves of a hospitality giant with global reach

Hilton's history

4919 Convict Filling bigs big first notet the Mobeley in Claco Texas

1946 Hilton is the first hotel company to list on the New York Stock Exchange 1949 Hillon interfetion a formed when Filton expands outside the US to open the Carlos Hillon in Stry Julian Planto Filton
The forey/pure painings, with the opening of a casino in San Asan

1953 Hitton moves into Europe, opening the Castellana Hitton in Madrid 1984 Hites the matches a soun off as an independent publicly owned company 1967 Trans World Airlines buys Hilton International. In April 1987 TWA selts Hilton International to Allegis Corporation. In September 1987 Ladbroke buys Hilton International

1996 Mileas time Comparation and Ladorska agree to reunite band and to allow each company to have a mandraint 20 per cent state in the other

Sheraton's history

1937 First hotel acquired in Springfield, Massachusetts Three more hotels added, including Sheraton hotel in Boston from which the Sheraton name

1947 Sheraton Corporation of America lists on the New York Stock Exchange

Sheraton moves outside the US with acquisition of two Canadian hotel chains 1949 1959 Sheraton expands to the Pacific with purchase of four hotels on Walkin Beach, Hawait

1961 Sheraton opens in the Middle East with Tel Aviv Sheraton

1962 The company forms a franchise division, Sheraton lines

1968 ITT Corporation acquires Sheraton

ITT Corporation is demerged into three-companies, the notets and and gaming company is

known as ITT Corporation with ITT Sheraton as its wholly owned subsidiary

OBSERVE

Wedding alarm bells

Anyone wondering about the outlook for US monetary policy and the stock market could do worse than consider the thinking of David Hale, trrepressible chief economist at Zurich Kemper.

Hale reckons that the wedding of Alan Greenspan, chairman of the Federal Reserve, on April 6, could hold some important. pointers. For example - who will be best man? If Bob Rubin of the Treasury gets the job, Hale reckons this will testify to an era of continued monetary and fiscal co-operation. But if senate majority leader Trent Lott is picked, this could show Greenspan intends co-operating closely with Congress.

There again, the nature of the jewellery worn by the bride will also be important. Will it be gold, platinum or silver? Also of significance will be the composition of the Japanese

delegation; will Eisuke Sakakibara - "Mr Yen" - of the finance ministry be there to signal continued currency co-operation?

Hale offers a final sobering thought. We should not forget that Greenspan'a bride is 20 years his junior. This just has to indicate a certain pessimism about the outlook for the future

of social security systems. Or maybe - to quote the bridegroom, from another context - it's simply a case of "irrational exuberance"?

Taking flight

A case of history repeating itself, though this time we hope without quite the same ending. The struggling French carmaker Renault has teamed up with Aerospatiale, the state-owned aerospace group, to develop and market a new generation of light

aircraft engines. It's certainly one of the more arresting diversification moves of recent months, but a slight delve into the record books shows that the sector is by no means virgin territory for the 99-year-old company. In fact, it was an established aero engine manufacturer for 30 years. between 1910 and 1940, when the second world war rather

seriously dented production. Of course there's little prospect of the revived activity accounting for more than a tiny proportion of the group's overall husiness, at least for the foresesable future. But who knows - it might fly.

Online off colour ■ MCI internet is the latest of a string of Internet service

providers bent on sticking it to America Online while it's down. On Wednesday AOL agreed to offer refunds to any of its 8m subscribers, who have faced tremendous difficulty signing onto the overloaded network in

Although MCI doesn't mention AOL - the largest US online service - by name, there's little question of the target of its latest publicity gimmick, a list of "the top 10 things to do while

waiting in line to get online."

the past two months.

Some of the more imaginative options include: learn vector calculus: match no all your socks; hum the Star Spangled Banner to busy signal tone; find a word that rhymes with orange; and figure out what http:// really means. Least creative - though most predictable - is the suggestion from the AOL competitor to sign up for MCI Internet . . .

Glaxo's spearhead

■ Wall done Sean Lance, 49-year-old chief executive designate of the world's biggest drugs company Glaxo Wellcome. But Lance won't get his hands on the levers of power for a few years yet; Sir Richard Sykes, his predecessor, becomes executive chairman and plans to keep a firm grip on global strategy, research and development and external relations. At the tender

fade into the background. While Lance is left with the nuts-and-bolts job of actually making and selling products, that could be playing to his strength. Travel writer Jan Morris once observed that white South Africans are the world's least vivacious people, a view to which Lance gives credence. A man of few words - and those spoken tight-lipped - his steely manner helped him become chairman of Boots' Sonth African operations in his mid-30s before joining Glaxo 12 years ago

age of 54. Sykes is not about to

in a similar role. Combine these qualities with a bulky physical presence - honed by 8 spell with the Sonth African Special Forces and a second Dan grade in karate and Lance looks capable of putting the frighteners on underperforming line managers.

Getting the AXA

■ Bad news for employees in French insurer UAP, who were still desperately looking for residual signs that they are part of a "merger" with AXA, the rival that bas gobbled them up to create, officially, AXA-UAP. The Paris bourse yesterday unveiled the name - chosen by the company - by which it will be known on the stock market. No prizes for guessing which three letters have been selected.

Financial Times

50 years ago The Rand Labour Strike

The present internal dispute of Rand mineworkers resulting in a strike is another battle in a ten-year struggle to gain control of the 13,000-strong Mine Workers' Union by the opposition as a powerful political weapon and to obtain Parliamentary seats on the Rand, It is highly unlikely that it will succeed this time, and the fight will be continued at a later date. In 1937 the Afrikaner Union of Mineworkers was formed. It was financed entirely by "National Council Trustees" which were administered by a fund left by a rich widow. The following year the name was changed to reform the Organisation still financed by the same source. The constitution laid down was that the mineworkers should be lined up with the existing "Christian Netional Unions". The Mine Workers' Union was to be cleansed of all foreign and wrong influences and freed from the "international and communistic Trades and Labour Council".

The French Steel Industry Paris, 30th Jan. The Industrial Production Commission of the French National Assembly has voted 12-9 in fevour of nationalising the French iron and steel industry.

Pyramid suspect in search of credibility

By Kevin Done and Kerin Hope in Tirana

From the electronic sign above Tirana'a communist-era Palace of Culture to the searchlights that stab the night sky from VEFA Holding proclaims its status as Albania'a biggest private sector company.

According to its founder, Mr Vehbi Alimucaj, the conglomerate, with investments ranging from bitumen mines to helicopters, represents the future of Albania. "We are the most indispensable company. linked to almost every Albanian family," be says, rubbing his hands with cologne and leaning forward in his highbacked leather chair.

But many financial observof the pyramid finance schemes which have brought Albania to the brink of a financial abyss in recent weeks and prompted riots by anxious investors.

To ward off a probe by the government's "transparency commission", which is investigating the pyramid schemes, VEFA is trying to build a collection of assets to show thet it is a respectable company.

scheme. "We are an investing company We circulate this capital. We have usad this operation of borrowing from citizens because we wanted to increase investments and crethe roof of its headquarters, ate as many jobs as possible." He says that VEFA has a workforce of between 10,000

and 12,000.

But on the financial detail of his conglomerate, he is less forthcoming. "Yes, of course we have very sophisticated reports and accounts."

So what are the figures? "More than \$100m can be the profits," be claims. But balance sheet details and a report and accounts are not available. "No capitalist shows his pockets " he points out.

Mr Alimucaj's dark-blne ers think VEFA is at the beart Mercedes-Benz S-class saloon gleams behind the high gates of the VEFA headquarters, an elaborately restored Mussoliniera villa in the centre of Tirana. He is ready to lend his Lear jet to a friendly foreign

The issue of what substance may be behind the abow deeply worries the central bank and makes established western bankers shrink from lending to VEFA.

But ever since the paunchy

Suharto linked to purchaser of gold foonded his company in 1991, Albanians have been attracted mine stake in growing numbers by the

offer of exceptional returns on

pyramid schemes became

increasingly fiercs, VEFA

began paying interest rates as

high as 10 per cent a month,

although inflation is running

24,000 depositors. When

he could be holding deposits of

the rush by savers to get their

deposits back forced VEFA to

stop all repayments of capital

earlier this month. The group

has now cut monthly interest

rates to 5 par cent and is

repaying both capital and

interest according to the terms

of savers' contracts, he says.

But it is refusing all requests

Now, in the rush to create

credibility, Mr Alimucaj is con-

sidering turning his group into

a joint stock company, and

bringing in outside sharehold-

ers. Last week, he reapplied to

form a bank, in spite of the

rejection of his first applica-

The Glaxo drug is also a

neuraminidase inhibitor. How-

ever, it must be inhaled rather

than taken by mouth - a fac-

Both drugs are far from

reaching pharmacy shelves.

They face a long process of

clinical trials and evaluation

before regulators can approve

Gilead's scientists are none-

theless optimistic. "It's a big

leap to jump from animals to

bumans, but we bave every

indication it will work in the

same wsy," said Dr Norbert

Lex, Page 20; Glaxo manage

them for medical use.

tor that may limit its appeal.

for early repayment.

The financial turmoil and

Mr Alimucaj claims to have

sed, he coyly suggests that

at just 6 per cent a year.

around \$130m.

As competition between

deposits placed with VEFA.

Bakrie & Brothers, an agreed to sell its indirect stake in Freeport Indonesia, one of the world's largest copper and gold mines, to an investment company linked to President Suharto

The sale to Nusantara Ampera Bakti (Nusamba) comes only two weeks after founder Mr Aburizal Bakrie said the company would not divest the stake.

The company has denied it was under political pressure to

This latest acquisition by Nusamba marks the third high-profile strategic investment made by the company in ths past four months. The moves have raised eyebrows because Mr Subarto has never before been seen actively buying into Indonesian busine "He seems to be taking the

best picks," said an Indonesian securities analyst who requested anonymity.

A unit of Nusamba will pay \$302.7m for Bakrie & Brothers' 49 per cent stake in Indocopper Investama Corporation (IIC). IIC's 9.36 per cent stake in Freeport Indonesia, is its principal asset. Nusamba is 80 per cent

owned by foundations chaired by Mr Suharto, 10 per cent by Mr Suharto's eldest son Mr Sigit Harjojudanto and 10 per cent by Mr Mohamad "Bob" Hasan, a close associate of the president, who also chairs the company.

Freeport Indonesia's owners, apart from IIC, are the US mining giant Freeport McMoRan Copper and Gold, with 81.28 per cent, and the Indonesian government.

Analysts welcomed the sale, saying the capital invested in IIC could be better used elsewhere in Bakrie & Brothers, which has interests in plantations, infrastructure and telecommunications.

Mr Tanri Abeng, Bakrie & Brothers managing director, said the sale had been advised and co-ordinated through Bakrie's financial advisers, Salomon Brothers. "We never got in touch directly with Bol Hasan," he said.

Bakrie Gronp, the holding company for the listed Bakrie & Brothers, originally bought a 10 per cent stake in Freeport Indonesia from Preeport McMoRan in 1992 for \$213m. Some 49 per cent of that stake was sold back to Freeport for \$212m by Mr Bakrie less than a year later, with the remainder injected into IIC.

The sale of the IIC stake is expected to increase Bakrie & Brothers' net income for this year by around Rp134bn, according to company officials.

THE LEX COLUMN Dealing with Dow It has been a bitter-sweet few weeks for Dow Jones shareholders. The

good news is thet members of tha controlling Bancroft family have at last started asking embarrassing questions. Their efforts have been boosted by the appearance on the register of high-profile activist shareholders, Mr Michael Price and Mr James Cromer. But there is bad news too: the management has decided to invest \$650m in Telerate, the ailing online information pro-

By calling for the Telerate investnt to be reconsidered, the activists have made a good start. It looks suspiciously liks throwing good money after bad. Telerate may be number two in a business with reasonabls growth prospects and healthy margins; but Reuters and Bloomberg have shown themselves so much more agile and aggressive thet it is hard to see Telerate's competitive slide being arrested. Why should even \$650m make a difference in the hands of a management caught so asleep on the watch? Alas, family endorsement means the Telerate investment is unlikely to be pulled. Still, shareholders should demand that incremental spending is made subject to satisfactory progress in the interim.

Fiat used all its pobtical leverage to extract government incentives for the Italian car market and one can see why. In the fourth quarter of 1996, excluding the flourishing Brazilian business, the car division fell into loss. And 1996 operating profit margins have dropped to piti-

Yet Fiat has not misread the mar-

ket. Recent product launches, particularly the Bravo, have been successful. Moreover, its strategy for ackling emerging markets is years ahead of most European competi-tors. The Palio, Fiat's "world car", is already Brazil's best-selling car. The problem is that the Italian economy is being squeezed to fit the Maastricht criteria. The incentives should help 1997 sales, but some of this will come at the expense of 1998, Meanwhile, recovering European demand has been outpaced by capacity. Recent cutbacks by Ford represent a start, but decent returns on capital remain a distant

Mr Cesare Romiti, Fist's new chairman, must choose between two strategic directions. The optiFTSE Eurotrack 200: 2074.9 (+4.7) Dow Jones Share price relative to the

vast undarbelly of unrelated businesses, concentrating on productivity, and searching for the right merger partner - along the lines of abortive discussions with Ford and Citroën. However, Mr Romiti may prefer to resume Fiat's role as Italy's industrial figurehead, by taking stakes in the likes of telecoms group Stet. If the management takes its eye off its core problems, it will be a signal for investors to take

1988 88 9 90 92 94 98

Landing slots

The Brussels debate over airline landing slots is flying dangerously adrift from reality. It was always bizarre that Mr Karel Van Miert, competition commissioner, saw It as his job to prevent a proper market developing. But at least Mr Neil Kinnock, transport commissioner, wanted a saner system. Now, bowever, the saga is taking two twists for the worse.

First, officials are suggesting any opening-up of the slot market should be postponed until the British Airways/American Airlines alliance is conclusively ruled on. Unfortunately, this suggests they have no grasp of the significance of the issue. To ask BA and AA to let go of enough slots to create a genuinely competitive market, at a fair price, is perfectly reasonable. But to force them to give away hugely valuable assets is not only unjustifled in principle; it could quite easily make the alliance's economics unviable.

Second, Mr Kinnock is apparently toying with a compromise allowing slot trading but in return forcing airlines periodically to give up slots mal route would be shedding its they already use. This notion would

(SSCERS

be furiously resisted by airlines, and rightly so: whether or not it was sensible to hand slot rights out for free, to remove them now would be an unjustifiable expropriation of property rights. Mr Kinnock should be fighting the idea with vigour.

Corporate governance The trick of corporate governance is to keep things simple: a non-exec utive chairman to run the board and a chief executive to run the company. Glaxo Wellcome has come up with a rather more tortuous structure. From next year, it will have an executive chairman, a chief executive and - sandwiched in between - a non-executive deputy chairman. In theory, this risks blurring responsibilities, concentrating too much power in the hands of one individual and leaving shareholders without a strong voice

on the board. Nevertheless, Glaxo may have a case for its structure. It allows an orderly promotion of the next generation of management - in this case, Mr Sean Lance, who will become chief executive. And while the group's record remains unblemished, investors will hardly complain. But however relaxed they are about a company's performance, shareholders would be wise to ensure that boards include a heavyweight champion of their interests with the clout to hold executive management to account. Glaro can plausibly claim to have fulfilled that by choosing Sir Roger Hurn, the well-regarded chairman of Smiths Industries, as deputy chairman. But the real test will come if the chips ever go down.

UK Digital TV

The combination of Carlton Com-munications, Granada and British Sky Broadcasting could transform digital terrestrial television (DTT) into a viable business. Together, the three will certainly have the financial muscle to launch a powerful service. Bringing the BBC and BSkyB, with their valuable film and sports rights, into the consortium solves the problem of what to show on DTT's 30 new channels. In return, BSkyB neatly turns a rival service into an ally. Meanwhile, Granada and Carlton, which is lead-ing the consortium, have found s new business to get their teeth into.

> Additional Lex comment on Yorkshire Water, Page 28

> > *:*7.

Hopes for fast-acting flu cure rise after US tests

tory results suggest the com-

pound is effective against both

inhibiting neuraminidase, an

enzyme that is essential for

the reproduction of the virus.

to begin in a few months, first in the UK and then in the US.

They will be conducted by

Roche, the Swiss drug com-

pany which acquired world-

wide marketing rights to GS

Another experimental fin

pharmsceutical group.

treatment is being tested on

GG167 was discovered by

Biota, an Australian biotech

4104 last year.

Human clinical trials are set

The compound works by

main strains of the flu.

By Louise Kehoe in San Francisco

and Clive Cookson in London

Researchers at a California blotechnology company say an anti-flu drug being tested on animals could eventually prevent or cure the disease in

The drug, developed by Gilead Sciences, shows promise as a fast-acting treatment for influenza, which brings misery to millions of people a year in the northern hemisphere, and kills tens of thousands.

in tests, the compound, called GS 4104, has produced startling results. Mice given a lethal dose of the virus survived wheo treated with GS 4104; their symptoms disappeared within 24 bours.

Russian diamonds warning Samsung chips

Continued from Page 1

expected to begin mass production of 10m 64-megabit chips a month in the second quarter of

Samsung said that it would "regulate its production cuts on the basis that does not effect the business of its contracted long-term

Chamber bad a political agenda in that Its members were appointed by Russia's Communist-controlled parliament, which is hostile to President Boris Yeltsin's govern-

ment Observers suggested that the diminishing stockpiles and Russia's dwindling diamond ontput pnt De Beers in a

with the Russians labort a new contract]. But we meet them informally on a day-byday basis at our representative office in Moscow.

Continued from Page 1

tested the compound on five ing results in 1,200 patients animal species without finding worldwide, and more trials are

adverss side effects. Labora- planned for next winter.

people by Glaxo Wellcome, the Bischofberger, bead

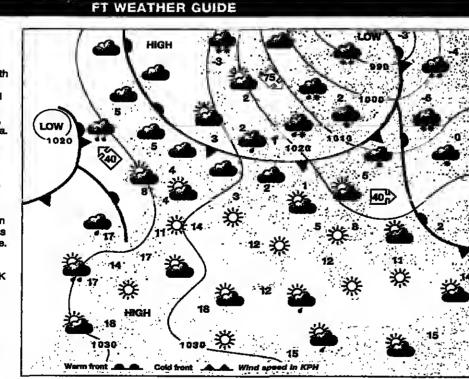
strong position in negotiations for a new, exclusive marketing contract with Russia. The De Beers official said: "We have no immediate plans to sit down for formal talks

Europe today Most of the northern part of the continent will continue cloudy, with patchy rain in Poland, the Czech

Republic and Germany. There will be breaks in tha cloud in the northern areas of these countries, as well as in southern Scandinavia Sunny spells are expected in that UK, tha Benelux and northern France. Cloud and some rainy periods are expected across northern Spain. It will be shower, in Portugal. Elsewhere in the Iberian peninsula, it will be sunny and dry. it will be sunny and dry in southern France, Italy, the Balkans and most of south-eastern Europe Five-day forecast

It will be rather unsettled in the UK and will remain cloudy in the northern part of the continent. It will continua sunny across southern France, Italy and the southern areas of the Iberian peninsula.

South-eastern Europe will have some thunder showers, but it will become dry after the weekend.

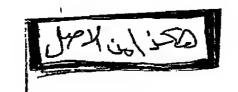


Cardiff Cesable Chicago Cologni Dakar Dakas Delhi Dubai Dubai

No other airline flies to more cities around the world. Lufthansa

sun 3 rain 3 thund 3 REGULATED BY GFA AND IMRO

to invest with those who seek to To do so in primary and secondary markets with skill and strength, in a way d at a price that leaves both sides well LYVESTORS



Corporate governance The trick of competee government to keep things simple a norm the parish Girks Wellcome is seems up with a rather more un win have an executive chairman chies executive and - sandwicks in herween - a non-executive de ser thereman In theory, this rela Marring responsibilities, comm trains for much power in the house of one individual and leading the without a strong the on the buard

Nevertheless Glavo may bate come for its service it allows a stands browners of the new of mation of Thilled and - m for became Carel executive And whe the great s record amains inter toked, increstore will hardly on plain. But however relaxed they as spout a company's performant shereholders would be wise a entere that heards moude a hear weight thanken of her men with the city to hold exercise memagement to secount. Glass z blauendbly claim to have felme which he characters for Roger Ben the well-re paried chairmen s Seminar incluent to as deput the men the real test will rest The carried and a to lower

UK, Digital TV

The applicant on of Called (2) magniculture in the same and Ber My Branderson and make Martin 10 Train tole asion The Bath a work of the Country Together to there will commen any the ter and the said to hand a post Service Minning the BEC I Page 1 with the committee and Teneral rightly of a the comme the state of the same of the s Medical Section is when you come and General Automotive States the the car of an ane finite

> additional leverne er, Yarash e, Water, Part

HNANCIAL TIMES SURVEY

Global DIVISION Investment banking

Financial deregulation has given investment banks the chance to regain their 19th century role as leaders of global development, writes John Gapper

A concentration of firepower

A decade ago, a global kets at a record level, but that they alone have the investment banking industry mergers and acquisitions, expertise and financial was no more than a distant one of the weaker areas in vision: the husiness of advising companies and raising struck a wave of activity. capital was dominated by The strength of corporate rebig investment banks in structuring in both Europe each country. So. 1996 has and the US was greater than been more than simply a hugely rewarding year. It has been a coming of age for an industry.

Even two years ago, that so-called would have been a surprise. Banks started 1994 in headlong retreat from a glorious rates ticked up in the US, the long bond market rally that had created record trading profits ended with a mues. number of institutions

thrown into disarray. 1995, while 1996 proved the industry's hest ever year. Even if the big US investment banks did not uniformly beat 1993 results, their profits were not only at near-record levels, but came from a broader spread of financial activities.

the industry during 1993, even banks had predicted.

This has vindicated the decision of the largest US banks - notably the so-called "mlni bulge bracket" of Goldman Sachs, Morgan Stanley and Merrill Lynch - to expand in Europe year in 1993. As interest and Asia in the 1990s. The surprise has been that Europe has proved an easier hunting ground for reve-

"If 1994 was a disaster, 1995 was a recovery year, Yet the losses of 1994 were and 1996 was better still," quickly regained during says Michael Dobson, chief executive of Deutsche Bank's investment bank, Deutsche Morgan Grenfell. He rates 1996 as "an upper quartile year" despite growing competition, and a sharp rise in staff costs. .

The large US investment banks have managed to per-Not only were bond mar- suade many issuers and kets active, and equity mar- investors around the world

strength to carry off the big-They have won leading roles as advisers on the biggest privatisations and cross-border deals.

"We see a lot of restructuring in domestic and crossborder markets, which allows us to bring our strengths to bear," says Walter Gubert, head of Europe for J.P. Morgan, the US bank. Even competitors who say the US firms are not truly global admit they have marketed themselves well. Jon Corzine, chairman of

Goldman Sachs, says that financial de-regulation around the world has given investment banks the chance to regain their 19th century role as leaders of global development. "It is awe-inspiring, but it does not take a leap of Imagina-tion to see it happening."

started feeling a blast of banks to break into the elite European bouses in their



Switzerland and Deutsche Morgan Grenfell both attracted attention by hiring teams of valued staff from Wall Street to build up in the US.

tion to see it happening."

Yet 1996 was also a year in which the big US firms

This build-up on Wall Street is part of a broader effort by several European direct competition from group of global investment banks. Each of the hig three backyard. Union Bank of Swiss banks, as well as Deut-

becoming part of the global Bank in Germany, and bulge bracket are getting National Westminster and higher all the time"

Barclays in the UK are try-The biggest strategic challenge for European banks The biggest change in the has been to compete in the last year has been the emer-US, the world's biggest capigence of universal banks as tal market, and leading source of financial innovacompetitors," says David Robins, head of Europe for tion. As the divide between UBS, "There is more firebanking and securities activities weakens, banks have power out there in fewer hands, and the stakes for mailed over whether to

expand by acquisition or by hiring staff.

Vet US firms also have their own expensive strategic moves to ponder. Mr Corzine admits that Goldman pushed too heavily into China in 1993 and has since been redistributing staff around Asia. Other investment banks are trying to bol-

Continued on page 2

IN THIS SURVEY

Friday January 31 1997

The bull market in US equities has proved more durable than expected. Huge amounts of computing power are now being used Page 2

Bonuses reach highs Powerhouse firms have been setting managers tough new challenges

The syndicated loans market has had another strong year Shareholder activism has stimulated large M&A deals

 Europe's growing market helped make 1996 a good year for new equity issues Asset securitis ation was a fast-growing sector

Page 6 A benign environment fuelled the surge in the international bond market
Leading banks have set up working groups to examine the effect of Emu

US futures trading vol-ume gained one half a percentage point in 1996 Disclosure of risk measures signals the coming of age of derivatives

E Guardians of the world's exchange rates have been conspicuous by their

Custody has become dependent for profitability on huge economies of

The pre-Emu rush to complete stata sales is likely to produce even greater proceeds

Investors in emerging markets may find that Brady bonds will still be an attractive option this year Indigenous and foreign groups are gearing up to take advantage of new opportunities in Africa Prospects for Latin America's economies and financial markets are strong

South-east Asian companies are looking overseas to satisfy the need for large amounts of

Poland and Romania are expected to be the main draws for investment in

eastern Europe Production editor:

Roy Terry

Sino Land Company Limited US\$200,000,000 Jardine Flemin Hong Kong

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YACEO Yageo Corporation US\$100,000,000

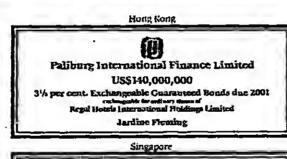
ø Union Petrochemical Corporation US\$85,000,000 1/ per cent. Convertible Bonds

The Industrial Credit And Investment Corporation of India Limited US\$220,110,000 Offering of 19,140,000 Global Dennei

India

35ES US\$125,000,000 Offering of **Jardine Fleming**

Central Pattana **Public Company Limited** U\$\$50,000,000 21/4 per cent, Convertible Bonds due 2001



Far East Levingston Shipbuilding Limited US\$120,000,000

ADI CORPORATION US\$70,000,000 Taiwan

Compal Electronics, Inc. US\$95,000,000 Jardine Flemins

Crompton Greaves Limited US\$47,023,200 Offering of 6,220,000 Global Depositary Jardine Fleming

Thailand Loxley Public Company Limited US\$110,000,000 21/2 per cent. Convertible Bonds due 2001 Jardine Fleming Thailand

Property Perfect Public Company Limited US\$35,000,000

Sun Life and Provincial Holdings ple £526,400,000 Offer of 224,000,000 Ordinary Shares and admissio listing on the London Stock Exchange Robert Fleming & Co. Limited

SOLD GROUP INC. US\$148,426,000 International Offer of 665,000,000 Shares of Commo

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South Africa (SAB) The South African Breweries Limited US\$413,237,500

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The Korea-Europe Fund Limited

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Concentration of firepower

Continued from page 1

ster their forces in Russia

and eastern Europe. Decisions of this nature are not the only difficulties that face the industry. Growing competition, leading to the poaching of staff in London and New York, has escalated pay rates.

Entire teams of hrokers have moved from one institution to another, often sec-uring guaranteed bonus levels over two years.

"Clearly many firms did well last year but how much of the profit ended up with sharebolders is another matter," says Hans de Gier, chairman of SBC Warburg, the investment banking arm of Swiss Bank Corporation, "My hunch is that many people working in the industry took their fair cut".

In addition, the competitioo squeezed margins in many areas of investment

Although mergers and acquisitions fees remained solid, margins in formerly profitable areas, such as equity bought deals, and standard derivatives transactions, came under further pressure during the year.

More broadly, investment lenges in managing as credit derivatives.

operations in a stable man
European banks helieve

Competition for staff bas led to regular blow-ups, such as the minor revolt in the fixed income division of CS First Boston last year over its proposed bonuses for the 1995 financial year.

If anything, the newer institutions may prove even less stable when there is a downturn, since they have hired from a wide range of other firms. "It may take a long time to make some of the ventures work successfully, given how they are heing built," says one investment banker.

Finally, many firms are wary of repeating the errors of the end of 1993, when investment banks suffered severe losses as bond mar-

musical chairs. The music is times.

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GRANADA

underwriter and lead lenders on Granada's successful

Forte. This was the largest underwritten hostile offer ever in the U.K. Total cash under-

Premier Farneli pic

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SAFEWAY

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Safeway for £90 million,

part fund the £1.85 billion of

still going, but everybody is walking very slowly," says

Most banks expect to suffer if there is any repetition of the sharp market hreak of 1993-94. "I suppose people try to learn from their mistakes, but baving said that, banks have invested beavily in people and technology, so there says Mr Dobson of DMG.

Nooetheless, many bankers are cautiously optimistic about the outlook for 1997, while not expecting it to match 1996. Although there is nervousneas ahout the high levels of the equity market in the US, subdued inflation meens interest rates are not expected to rise

Furthermore, corporate finance edvisers expect the flow of cross-border deals to continue as European industry faces up to de-regulation and greeter emphasie on shareholder value.

Investment bankers elso predict strong business flows in structured and project finance ecross Asia.

Mr de Gier of SBC Warburg says that one of the most profitable segments of the industry will be in structured and high yield finance, banks faced growing chal- and areas of innovation such

they can gain an advantage in these areas from having strong halance sheets, and Yet, the European competitors face a struggle to catch up hoth with the investments mede by the US bulge

years and their long-established expertise in many To compete on sheer financial firepower alone will not he enough, as many of them acknowledge

bracket over the past few

Some of those who had gritted their teeth to make some of the investment necessary to become a global investment bank had an unexpectedly easy ride in 1996. The decision to keep investing will be all the more difficult when the "It is rather like a game of industry enters barder

■ US investment banks: by Tracy Corrigan

The good times are still rolling

The bull market in US equities has proved more durable than

analysts expected

US investment banks and securities houses have never had it so good. Most achieved record profits last year. Indeed, it is easier to list those which did not have a record year - Goldman did not quite top e glorious 1993 - than to recite the litany of those which did.

"Record performances were posted in nearly every aspect of the markets and our industry," said Jerry Schaefer, chief economist of the Securities Industry Association, in e recent report. Return on equity for the

top US investment banks is running above 20 per cent, thanks to huoyant market conditions which have pro-duced record underwriting volume and a booming market for mergers and acquisitions. As a consequence, many bankars recaived record bonuses last year.

But the bull market in US equities has already proved more durable than most analysts had expected. The good times are still rolling, but what happens if the markets

Investment banking profits are notoriously volatile, and the main variable is the downturn would not only hurt trading and underwriting revenues, hut could dent the profitable mergers and acquisitions husiness, hy reducing the ability of companies to finance takeovers with highly-valued etock (though the counter-argument is thet lower stock prices would make some takeover targets more eppealing).

Still, given the benign economic environment, there are reasonable grounds for will be avoided. Although most analysts believe that the strong gains of stock prices of the past two years will not be replicated, many feel thet a more gradual rally is sustainable.



If the market falls out of bed, of course all of us will suffer, but we are among those who believe that inflation is under very good cbeck," said John Chalsty, chairman and chief executive of Donaldsoo Lufkin &

Topping their 1996 performance is likely to be a problem for investment hanks and securities bouses, "How does it get better than that?" asked Sallie Krawcbeck, securities industry analyst at Sanford C Bernstein. Her answer is that it does not. "We are looking for earnings

STATE OF STATE

British Energy

iser and global co-ords

contractions in 1997. under pressure from com-Certainly, in terms of quarterly earnings comparisons, the US investment banks and securities bouses have a tough ride ahead of

against an extremely strong first half in 1996. "When you come off such strong year, you have to say to yourself that it will be tough to improve on that," admits Mr Chalsty, "but we are not going in with appre-

them, since earnings in the

first and second quarter of

1997 will be meesured

log of deals." But there is another danger facing the investment banking industry: mounting competition could send profitability into decline, particularly if the volume of available business stops growing.

In the US market, US investment banks are being challenged by commercial banks such as Chase and Brothers, which hold Citibank and by European extremely strong market Deutsche Morgan Crenfell are still struggling to catch and Union Bank of Switzer- up in equities; meanwhile. land. Investment banks, the likes of Donaldson Luf-

mercial banks trying to grah come of their business, are hitting back by setting up syndicated lending depart-

Furthermore, the emer-

gence of Merrill Lynch, Goldman Sachs and Morgan Stanlev as what has been termed the new bulge bracket - a sort of mini-monopoly carving up the lion's share of business between them bas intensified competition between those striving to catch up.

bension. We have a blg back-It is a complex picture, with many firms bolding strong positions in one market but still struggling to establish themselves in another. That means that there are an alarming number of profitable businesse struggling to make a great

leap forward. For example, Salomon Brotbers and Lebman universal banks such as positions in boods globally

kin & Jenrette and Smith

But all these institutions

Barney which are highly successful in certain domestic markets - DLJ dominates the high-yield market, for example - have little visibil-ity internationally. J P Morgan, still huilding its US investment banking business, has a strong international brand and is making heedwey in the domestic

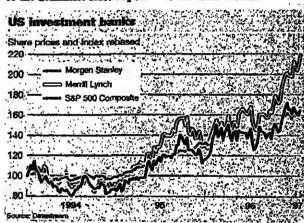
have gaps to fill to leapfrog to the dominant market posiboost profitability. Even the market leaders - Goldman, Merrill, and Morgan Stanley know they have to fight hard to hold on to any advantage. The result is that virtually everyone is hiring and increasing the cost base which thay will still have to cover in any market

Goldman Sachs, for example, plans to increase staffing hy 10 per cent this year. "We feel our franchise is stretched," said Jon Corzine, chairman of Goldman Sachs in a recent interview, adding that ha wants the firm to have "greater reach and greater scope" in its core

The story is replicated at other institutions. Salomon for example plans to hire 100 bankers this year, of which 80 will be deployed in the US. The rationale, according. to chairman and chief executive officer Deryk Maughan. is that "we have been very successful in mergers and acquisitions, in the areas where we have coverage, but we need to grow our footprint". The existing operation, with its trading and sales strength, means that the investment bank can benefit from "significant" leverage" by adding a relatively small number of people, ha argues.

Paradoxically, any squeeze on profitability could favour the less profitable banks. European hanks such as Deutsche Bank and Union Bank of Switzerland already. make a poor return on equity hy US standards, but have less demanding shareholders, traditionally, Still, the large US institutions have a natural advantage over their European rivals: a huge, homogeneous domestic marketplace.

The favourable market conditions of 1996 meant that it was easy to make money. A tougher environment this year may test the resolve, and the ebility, of the competitors to make it as the top investment banks



■ Information technology: by Michael Prest

Huge amounts of computing power are now being used to develop new products

Investment hankers have always prided themselves on living by their wits hut today they have also to live on their microchips. A big global house, such as Merrill Lyncb, can spend \$1bn a year on information technology. And, as the competition intensifies and markets become more complex, the race for technological superi-

in no part of the husiness is this more true than risk manegement. Investment banks have two principal eims in mind: to moultor and understand better their own exposures; and to devise new instruments, such as derivatives or structured products, which both earn good margins from clients. Prudent as this may sound, firms have little choice. Competition and the

ority shows no sign of slack-

European capital adequacy directive have forced banks. chastened by the fate of Barings, to account much more precisely for bow they use their capital. The better the grasp a bank bas on risk, the more leverage it can extract more profitable it should be. Simon Nelson, a risk managemeot specialist with Cap Gemlni, Europe's blggest syslem bouse, said: "Tbe people who manage their risk best will be able to use their capital best, and will have an advantage. Everyooe is nervous about being ieft behind in this race."

This race has indeed

"The quality of academic fundamental. Integrating as research going into this kind many as 30 systems in e Companies may have to of thing is as high as any- company poses tremendous where else in the world - or even higher, because compa- with like and presenting the nies can make so much money." according to Mr Nelson.

One recently developed product is credit derivatives, a kind of insurance against chaoges to a company's credit rating. The industry and its regulators, however, cannot decide whether credit derivatives are banking or insurance products.

In devising these products, investment banks and their information technology consultants - who are often as much husiness analysts as boffins - are using such exotic ideas as neural networks, which learn and act on what they learn, and elaborate risk assessments based on the Monte Carlo simulation technique first used in the Manhattan Proj-

Sucb simulations require huge amounts of computing power because they involve running thousands of possible scenarios. Not surprisingly, investment banks and their information technology consultants are hiring top flight mathematicians, physicists, and other graduates with similar training.

There is a problem, how-ever. The greater the expertise employed in managing from its capital, and the risk, the greater the danger that management will not understand what the experts are doing. The Industry is full of stories about buge aums being lost because matbematically-based trading was flawed.
"Do managers really

understand the risks when they're out together?", asks John Owen, head of worldwide capital markets conalready taken investment sulting for IBM Consulting

difficulties of comparing like solving the 2000 problem. results in a comprehensible they must improve data collection if risk management is to improve.

Another, less exotic, trend industry over the past year is outsourcing. Commercial been placing routine, particularly back office, work with outside contractors for several years. As their business has grown and the pressures to cut costs have mounted. investment hanks have increasingly followed suit sometimes to places as far

afield as India. The advantage is not just cost-savings. Sloughing off mass clerical work often done on systems accumuleted over many years what the trade calls legacy syetems - has allowed investment hanks to look again et their information technology and to update quickly.

A particular information has ariseo recently is tha single European currency. Investment banks are grappling with how to transact business in euros and their normal eccounting currency during the single currency's phased introduction. They face an unenviable choice hetween running dual ledgers or trying to relate transactions to one base currency.
Unfortunately for invest-

ment banks, European Monetary Union is scheduled to coincide with another neuralgia-inducing point: overhauling systems to cope with 21st century dates. According to Mr Owen, as much as suaded Caspian's founders to hanks to the frontlers of Group He believes that the three-quarters of many journey down the virtual information technology, quality of data collection is organizations' computer route.

spend as much as \$500m on

Looking further ahead, enormous advances in comway. Investment banks are municatious such as the beginning to realise that Financial Information Exchange (Fix) developed by many of the big American houses, are reinforcing two related trends: eutometed : which has accelerated in the trading, and partly because of automation, a new breed. of sales people/traders who banks and insurers have can epend more time with customers. As trading costs fall and the chain between customer and provider is getting shorter, companies. will survive hy adding value to customer service.

Despite the brains and money going into investment hanking information technology, the past still casts a long shadow. One company which has tried to escape from the shadow is London-based Caspian Securities, which epecialises in emerging markets. Working with Andersen Consulting, Caspian started from scratch last year as the first virtual global securities group.

The firm does not have a normal headquarters office technology headacha which and conducts international meetings between analysts and managers in its developing country markets by electronic mail and conference calls. Andersen was asked to design a fechnology framework which would give peripatetic staff equal access to information so thet work could be passed seamlessly around the globe, according to Richard Greer, Caspian's managing director of global research. .

So far, nobody seems to be emulating Caspian. But all investment banks face the cost, competition and technalogy problems which per-



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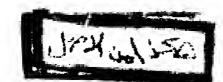
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Joint global coordinator November 1996



The largest IPO by a UK private sector issuer in 1996, generating demand of over £5.5 billion.

£733 million

Joint global coordinator, joint bookrunner and financial adviser

July 1996

The largest increase in free float of a German company via a secondary offering.

DM 1.6 billion

Joint global coordinator, joint bookrunner and financial adviser

Integrated Service

The capital markets debut of one of the world's largest companies and the first London listing for a Russian company. Dresdner Bank are currently arranging a US\$2.5 billion loan facility.

US\$429 million

Institutional Investor 1996 DEAL OF THE YEAR

Joint global coordinator and financial adviser

October 1996

The first Russian oil company to achieve a London listing for its ADSs. Dresdner Bank also arranged a US\$75 million loan

US\$120 million.

facility. Global coordinator, bookrunner and financial adviser

December 1996

Fresenius Medical Care AG

Complex structure was completed in just three weeks. We also acted as financial adviser in the acquisition of National Medical Care, Inc.

DM 675 million

Institutional ITMSTOT 1996 DEAL OF THE YEAR

October 1996

Joint global coordinator, joint bookrunner and financial adviser





The first Brazilian GDR to be listed in London.

US\$130 million

Joint global coordinator and joint bookrunner

September 1996

CLARINS

Using a novel accelerated bookbuilding system, demand of over FFr 734 million was raised in just three hours.

FFr 313 million

June 1996

Joint lead manager and joint bookrunner

The largest convertible bond for a UK media company.

£180 million

November 1996

Bookrunner and financial adviser

IPO Expertise

Dual listing in Stockholm and Copenhagen.

SEK 1.3 billion

Joint global coordinator. joint bookrunner and financial adviser

May 1996

SCANDIC

The first hotel company to be listed in the Nordic Region.

SEK1.1 billion

Joint global coordinator, joint bookrunner and financial adviser

December 1996

The largest Central European offering to date.

HUF 22.4 billion

Joint global coordinator, joint bookrunner and

financial adviser

November 1995

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■ Pay and Remuneration: by Michael Prest

Surging markets and competition for skills have driven bonuses to new highs

This is the bonus season in the City of London, and few have been looking forward to it more than the Square Mile's investment bankers.

Employees from the boardroom to the postroom are savouring earnings which in many cases equal or exceed the heady days of Big Bang. Headhunters report intense competition for the best performers and pay consultants are more in demand than ever as firms seek to attract and retain staff.

Much the same picture can be painted internationally, especially in New York and

The huge annual sums paid to top earners - £1m is no longer so exceptional in be 100 per cent of salary or expactations among more iowly employees are, however, a mixed blessing. Managements are struggling to contain costs and there is a mounting conviction that any subsequent ehakeont it comes

Mr Bob Fholr managing partner at Korn/Ferry International, a leading recruitment firm, reports that earn-Clark of pay consultants, the Monks Partnership.

starting salary of as much as £25,000 a year with an investment bank. A Eurobond trader in his or her late derivatives. twenties with about 2 years experience can earn more than £45,000. The somewhat ment banks to join the group older head of a function, of institutions with the bigsuch as fixed interest trading, might command a salary of £150,000.

These salaries appear generous when compared with national average earnings. but, for senior employees at least, are well below those paid by industry.

Income Data Services, a City consultancy which Brothers. tracks earnings, estimates

AND CONTROL OF THE PROPERTY OF

that the average basic salary for senior directors of com-panies in the FT-SE 250 was more than £300,000 in 1995/

Significantly, however, one of the higgest pay packets IDS analysed was the £1.23m earned by a director of Schroders, the City merchant banks. The difference in this case between a relatively small basic salary and being an annual millionaire was a bonus worth 773 per cent of salary.

While Mr Clark calculates that base salaries in investment banking drifted up by only about 5 per cent last year, bonuses can indeed be

Other inducements such as the Porsche car or a generous pension scheme, pale 1996 look to have been even bigger than those for 1995, itself a good year. A handful of bonuses will

the City - and the rising more. These are the payouts which hit the headlines and inspire etories in City watering holes about mortgages being eliminated overnight. But most bonuses will he around 40 per cent of basic pay, and for very will be all the harsher when junior employees they are probably a modest 15 per cent - still handsome, but not the stuff of legend.

There are three reasons why investment bankers ings over the past couple of have been earning so much years sharply upwards, a over the past couple of trend confirmed by Mr Joe years, and quite possibly will do equally well in 1997.

The first and most obvious He estimates that a bright reason is rapidly growing young graduate can expect a markets, which have fuelled demand for good people and for exotic higher-margin financial products such as A second factor has been

the struggle among investcapital bases, for example Deutsche Bank or UBS, have flocked to London to join the likes of BZW and Nat West in challenging the previous hegemony of American investment banks anch as Goldman Sachs or Salomon

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or a

Leader in

securitisation

inners take all few so competition for top institutional ranking has inflated pay packages.

A third factor is the nature of the international financial markets, in which the City has a pivotal place. The potential rewards from huge global markets are generally bigger than from national markets.

The size of global rewards and the scarcity of first rate skills have made the City part of a winner-takes-all society. Top salaries are in a sense leveraged so that they can be orders of magnitude greater than those of employees who may not be much further down the corporate pecking order.

Some skills have been more eagerly eought after than others. Headhunters. m comparison. Bonuses for for whom 1996 was the busiest year since Big Bang 10 years ago, say that experts in the legal and compliance, risk management, and derivatives and structured products areas, especially where fees can be earned, are particularly in demand.

But the overall tendency is towards higher remuneration, and this has led some investment banks to begin to put certain checks in place . Mr Fholr said: People act as though the guys who run these investment banks are idiots. That's a mistake. They're not just following the trend and throwing money around."

They know, he says, that it can be an expensive error to promise a full year's bonus to a new employee before her or she has proved their worth.

Over the recent years managements have tried to restrict the percentage of profits consumed by bonuses, typically to around 40 per cent, partly by limiting guaranteed bonusee, Investment hanks are also deferring bonuses and payoptions in the hope that footloose employees will stay a bonuses can ahrink rapidly in poor markets.

bankers are eagerly ewaiting gan Stanley: Star financial performers next year's bonus season.



Robert E. Diamond Jnr: contract ■ Star managers: by William Lewis





Peter Hancock: career is an



veteran of 33 years on Wall St

going to be very difficult,"

Mr Diamond says. "But the

quality of the people that

have been attracted here is

very exciting for the organi-

Mr Diamond says that the

period of frenetic departures

and arrivals has ended and

the division has moved into

a "bedding down" phase,

albeit with annual staff turn-

over at approximately 15 per

cent. "We are going to pur-

sue being a first class insti-

tution, nothing less," Mr

It will take, says Mr Dia-

mond, "a two to three year

period before we can see the

effect. After thet period we

will he able to say whether

Diamond says.

Joseph Perelle: legendary

eam leaders with attitude

Powerhouse firms have been setting managers

tough new challenges

Over the past 12 months, as investment hanks have sought to outbid each other to attract the services of speclalists in areas euch as mergers and acquieitions. new issues and derivatives, the term "star" has been used regularly to describe the industry's big earners.

But in a year when most investment banking departments have enjoyed excel- rate finance firm he lent returns, it has required co-founded in February 1988. something extra to stand out from this crowd .

Below four individuals who displayed those additional qualities in 1996 are profiled. All insist that they are lasders of a team and downplay the extent of their direct contribution. Nevertheless, with each of them ing more in shares and having recently been handed new management challenges, the way they perform little longer. Everybody is in 1997 will be an important also acutely aware that determinant of how their firms perform.

Neverthelesa, at the Joseph Perelle, head of moment most investment investment banking at Mor-At an age when most invest-

of retirement, Joseph Per in the morning. It's not the in the middle of the year it is ella, 55, one of Wall Street's legendary merger and acquisition specialists shows no eigns of slowing down.

Last month Mr Perella was named as the successor to Robert Scott as head of investment banking, and will report direct to Peter Karches, head of Morgan Stanley'e newly integrated securities business.

The promotion comes approximately three years after he joined Morgan Stanley from Wasserstein Perella, the Wall Street corpo-Before that Mr Perella had been co-head of investment banking at First Boston, where he had set np tbe M&A team in 1973.

Last month's promotion also followed a strong year for Mr Perella in 1996. Highlights included his leading of the Morgan Stanley team thet advised Sandoz on its link up with Ciba-Geigy, the world's largest ever industrial merger.

A veteran of 33 years on Wall Street, Mr Perella has seen and done most things in investment banking. Mr Perella, along with Wasserstein, created the seminal 1980s deals, such as the crestion of Time Warner and Philip Morris' takeover of Kraft.

Mr Perella's style and prise expressed by industry observers at his recent promotion was aimed at Mr Perella rather than Morgan Stanley. "I can see why Morcontinue to run?"

ment bankers are thinking excited every time I get up period. Whenever you start of the bank. money at all. I love the people bere," he says.

> Robert E. Diamond Jur. chief executive of the global markets division of BZW, the investment bank of the Barclays group: Until July, when Bob Dia-

> mond was appointed chiel executive of BZW'e global markets division, the year was not looking too good. In March he had resigned as bead of CS First Boston's global fixed income and foreign exchange business, following a staff hattle over

> However, in August Mr Diamond popped up at BZW having signed up to the dream of Martin Taylor, chief execotive of Barclays, to create an investment banking powerhouse at

> BZW. Put in charge of all BZW's fixed income, derivatives, foreign exchange, treasury, Iutnres and metais operations, Diamond also signed a contract worth an estimated £5m e year.

> With Bill Harrison later appointed as chiel executive of BZW, Mr Diamond embarked on an extraordinary three month period which saw around 140 departures and 140 arrivals at BZW's global markets divi-

The departures included method have brought him Klaus-Peter Moeritz, head of great success and the surforeign exchange trading in UK and Europe, and Aiex von Ungem-Stemberg, deputy chief executive of the markets division.

Arrivals include Neil Cumns. who has worked at says. "But what makes Joe 12 years hut moved last month to become the divi-

we are first tier or on the threshold of it". John Thornton, head of Goldman Sacbs' Asian

operations Life for John Thornton, who at the end of 1996 was moved from his job as co-head of Goldman Sach's investment banking in Europe to take responsibility for its Asian operations, is likely to prove complex in the year ahead.

Charged by Jon Corzine, Goldman's chairman, with leading the investment bank's efforts in the developing Asian markets, Mr Thornton insists he will also continue a "handful of key client relationships" which be built up over several years in Europe. This means that companies such as ICL BP and Unilever will con-

Described by Mr Corzine as "one of the most talented people at the firm". Mr. a true star," one analyst Morgan Stanley for the last Thornton will also have to income division with the juggle the responsibilities of rest of JP Morgan. "The being a member of Gold- most exciting deals are the The answer appears to be slon's managing director and man's six man executive ones which involve a dozen the buzz he gets from the global head of sales and committee. Add to this a different departments solvjob. "I really love this business," Mr Perella says. "I am "It has been a chaotic ships and it appears that says. number of company director- ing a client's problems," he

tinue to be advised by him.

something is going to have to give.

However, London-based colleagues, who have watched him develop into one of the City's leading M&A advisers, have few doubts that he will succeed. After 14 years in Europe Mr Thornton is credited with making Goldman Sachs one of the leading people in European M&A work. "Our success is to do with the fruits of our labour, (the seeds of which have been sown for some time."

Goldman hopes to produce the same performance in Asia. "Over time we want to be the pre-eminent firm in the significant Asian markets," Mr Thornton says.

Peter Hancock, managing director and head of global fixed income, JP Morgan: Douglas "Sandy" Warner's ahake up of the senior management team at JP Morgan younger bankers greater leeway and led to speculation that one of the younger hloods will eventually succeed Mr Warner as chairman

One of those is Peter Hancock, a 38-year-old Briton, who in 1995 added fixed income and capital markets to his control of derivatives. At JP Morgan, Mr Han-

cock runs the bank'a global fixed income division but also has direct responsibility for North American fixed income. He also sits on JP Morgan's "house", or man-

agement, committee. He describes his career thus far as an "eclectic mix of experiences". He joined JP Morgan in London in 1990, and initially worked in the corporate finance team. Five years later he moved to the Eurobond ayudicate desk, and in 1986 became manager of the multi-currency asset and liability desk. After two years, Mr Hancock joined swaps as manager of swap and interest rate derivative trading and in 1990 became head of global swaps in New York. In 1991 he became co-head of foreign exchange, equity and commodity derivatives and was given his current responsibilities in March

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Mr Hancock says that his background is in derivatives" and 1996 saw JP Morgan's notional swap and interest rate derivatives book move to \$1.5 trillion, up 55 per cent on 1994, and it also carried out 32,400 trades for 2,000 clients.

Mr Hancock says that he has spent a lot of the past 18 months integrating three teams: Swaps, capital markets and the traditional cash fixed income husiness. And he has also worked on the integration of the fixed

■ Risk management: by Katy Massey

Rocket scientists' fly high

Many institutions have developed marketable risk management products

issue and a big business. In the 1990s, regulators in the leading economic nations have been preoccupled with forcing banks to monitor their exposure to market movements. A useful hy-product has been the number of institutions which have found that, in own problems, they have developed marketable riek management products.

Leader of the pack is JP Morgan. This month, the bank launched a more advanced version of its Risk-Metrics' software in collaboration with engineering technologist The Mathworks. It is a clear signal that those institutions which are not leading the search to find solutions to risk management problems, are merely

following.
This is because regulators have developed bank operat-ing rules based on the available technology. Despite the fuss made hy industry par-ticipants when new regulatory initiatives are announced, the banks and the technology suppliers have developed effective analytical frameworks and software applications to satisfy the regulators.

One of these frameworks value at risk - has become the industry standard. A number of banks - JP Morgan, but also Bankers Trust, Deutsche Bank, Chase Manbattan and Credit Suisse First Boston - have produced commercially available information technology packages hased on the VAR wide are using FourFifteen, principle. In this way the the company's RiskMetrics' losses at Sumitomo could not have been prevented by any amount of software. investment banks actively become the prisoners who cut their jailers' keys.

VAR, was developed by JP Risk management is a big Morgan in response to its Iormer chairman Dennis Weatherstone's request that he receive a daily summary of the bank's potential losses over the following 24 hours across its entire portfolio. The job laid at the feet of JP Morgan's nascent financial engineers was to spawn a whole new industry - and the process of solving their career. The so-called "rocket scientists" within banking institutions are as likely to be devising new and more accurate risk measurement tools as to be creating evermore complex derivative

> VAR was revolutionary because it allowed the risk across an entire portfolio to be expressed in terms of a single figure. The idea is that non-specialist senior staff can be aware of, and understand, the banks' net trading position. This elegant solution is, as technophobes may suspect, the result of a complicated set of methodologies and software applications which vary from IT package to IT package. This expertise doesn't come cheap - Bankers Trust charges \$1m for its Raroc (risk adjusted return on capital) 2020 system.

Crucially, the Bank for International Settlements. the US' Securitles and Exchanges Commission and, to a more limited extent, the European Commission hava used VAR principles in formulating reporting and capi-tal adequacy standards. "We have a constant dialogue with regulators and some of

software tool," comments involved in the field bave Guy Coughlan, the JP Morgan vice-president charged with launching the hanks' newest version of the soft-

However, the rocket scientists do not have it all their own way. The conclusions of the Baale-hased Bank for international Settlements in January last year demonstrated that its concerns were largely with the limitations of the technology. The

The nettle has recently been grasped by the Securities and Investments Board

issues still to be addressed

matic occurrences, so-called "event risk", and tha assumption that returns are normally distributed, rather than the probability of large gains and losses occurring as often as they actually do. Add to this the fact thet predictions of market behaviour are based on historical data and, unsurprisingly, the BIS found that investments banks' internal systems had not performed as well as it was hoped in predicting market risk. Market participants have been made aware that the concentration of investment banks' efforts on the highly complex - not to say highly profitable - technoiogical approaches to measure risk does beg a funda- Katy Massey is editor of mentel question. The Clearing & Settlement Mayor Barings debacle and the zine.

"Operational risk", or the risk that a husiness will not be run correctly, or suffer the affect of the fraudulent activities of its staff, is not reduced by advanced systems, which are only as good as the data fed into

Whereas it is in the interest of the investment banks to deal with the risks posed by market exposure, the responsibility to get to grips with operational risk has been left entirely to the regulators. The nettle has recently been grasped by the UK'a Securities and Investments Board which has published draft proposals that attempt to hold senior management more accountable for the results of negligence or ignorance. Industry participants have responded by arguing that the increasing complexity of modern financial institutions makes lt include the effects of draimpossible for senior management to know what their

staff are doing at all times. This response illustrates an interesting dichotomy. The financial markets are now faster, enjoy higher capitalisation, a greater range of instruments and a broader geographical spread than ever before. The investment banks have largely encceeded in controlling the risk posed by the financial markets, hy using up-to-date technology and by investing millions of dollars. It is diffi cult to believe that controlling the risk posed by a bank's internal operations is a more difficult challenge. though this seems to be what is emerging.

ANNINGTON **HOMES** Anniogton Finance No.1 plc £904m, due 2021 Asset-backed Securities **Angel Train Contracts Limited Angel Train Contracts Limited** Bullet Finance B.V. Train Finance I Limited \$716m, due 2004 £228m, due 2004 Secured Serial Coupon Notes Asset-backed Securities Capital Corporation Capita Equipment Receivables Trust 1996-1 US\$3bn, due 2001 Equipment Lease Securitisatio Kensington Mortgage Company Phoenix Inns Limited Residential Mortgage Securities 1 plc £250m, due 1997 £67m Asset-backed Securities Mortgage-backed Securities Gleneagles Funding Limited US\$450m, due 2002 Guaranteed Asset-backed FRN's ♠ NO/MURA Principal Finance Group

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Banks have an appetite for risk

In spite of shrinking returns, the syndicated loans market has had a strong year

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This year is set to become another of declining interest margins and softening loan covenants as cash-rich banks take on higher risks to win business in the syndicated loans market.

That trend, which has gathered momentum in the past two years, is likely to continue as long as economic growth in the western world is maintained and no major credit events occur.

"As we get deeper into the global economic recovery and country risks appear to be subsiding, banks ere chasing more eggressively around the globe looking to capture a limited number of business opportunities," says Stephen Fleming, head of structured finance at Bank of America in London.

"Banks have strong balance sheets and relatively high-quality loan portfolios, so their eppetite for risk is higher than in 1991 and

market has had another strong year. The volume of euromarket loans totalled \$359bn last year, down markedly from 1995's record \$396bn but significantly above the \$222bn arranged in 1994, numbers from Capital Data Loanware show.

Borrowers in central and eastern Europe eccounted for \$11.8bn of loans, after \$8.7bn in 1995, while Latin American borrowers raised \$19.7bn, down from \$22.2bn last year.

Among western European borrowers there was a elight decline in activity, with facilities totalling \$260bn, down from \$274bn last year. The drop in volume was partly because of lower sovereign borrowing as European governments scrambled to reduce their budget deficits to help them meet the Meastricht criteria for European monetary union.

Also, many eovereigns esteblished finely-priced facilities during the last two years and bad no need for new money. Sovereign activity totalled a mere \$4.5bn. down from \$35bn in 1995 and \$16bn in 1994, according to Capital Data.

In the corporate sector, In spite of shrinking loan refinancings, which

1994, also slowed since most borrowers now have finely sion in prices and structure priced facilities in place for between stronger and marseveral years.

Nevertheless, the UK market was very active, buoyed by large mergers and acquisitions - such as Granada's hostile takeover of the Forte hotel group - a round of

acquisitions in the UK tive as they realise that they energy sector privatisations - including Railtrack and British Energy - and corporate restructuring - such as the decision by Hanson to spin off several husinesses.

Strong UK activity helped BZW to vault to the top of the underwriting leegue table. The bank underwrote \$31.6bn in loans, holding e 9.5 per cent market share, up from fifth place in 1995. While borrowing contin-

ued et e high level, interest margins have continued nar-rowing, dafying predictions et the end of 1995 that rates would bottom. Interestingly, margins contrected especially markedly for weakercredit borrowers.

"As e result of banks throwing excess capital at the market, we have seen some borderline credits that usually wouldn't be able to access the loan markets easand Merrill Lynch - to gain a foothold in the bank lending market.

"We will continue to see investment banks entering this market, if nothing else for defensive reasons," says one banker. "They are trying to broaden their product line into senior bank debt as they see the commercial banks increasingly encroaching on their turf, the securities

business." Indeed, if a secondary syndicated loans market were to develop in Europe, investment banks would be very well placed to apply their securities trading expertise.

Observers are watching with interest an initiative leunched by leading com mercial banks through the Loan Market Association to establish e secondary market in the debt of large European companies.

"I hope the secondary market for non-distressed bank "Banks often sey one paper will develop further." says Mr Fleming at Bank of far of lendere getting

Such a move would bring the London market into line with the US, where bank loans are commonly traded among financial firms as e means of distributing risk

	1991					1889		
Manager or Group	Renk	Usabn	No	%	Plank	USSbn	No	*
BZW	1	31.73	127	.9.18	- 5	21.50	114	5.57
Chase Manhattan Bank	: 2	25.23	- 145	7,30	. 4	22.44	165	6.81
Deutsche Morgen Grenfell	. 9	24,91	117	7.21	. 5	21.28	94.	6.50
NatWest Markets	4	24,15	122	.6.99.	- 3	23.23	133	8.02
Union Bank of Switzerland	5	17.70	123	5.12	. 7	- 16.40	111	4.25
ABN-AMRO Bank	. 8	15.96	. 115	4.82	. B	11.68	103	3.02
Citicorp	7	15.43	117	4.47	. 1	. 34.82	120	9.02
JP Morgan	8	14.85	60	4.29	· 2		76	8.29
Bank of America	8	11.76	62	3.40	. 11	10.84	- 69	2.78
CSFB/Credit Suisse	. 10	10.48	- 60	3,03	. 9	11.59	46	3.00
industry total		345.01	7,370	100.00		386.10	1,880	100,00
Source: Capital Date Bondware	•					/		•

Volume of Euromerket syndicated loans by borrower nationality

		1	996	T395			
Manager or Group		USOM	%%	les.	.U9\$m	*	les.
Suprenational	•	820.124	. 0.29	. 7	.330.515	0.08	3
North America		33,446,480	9,31	51	38,918,863	9.32	122
Western Europe		258,507.625	· 72.26	855	274,387,844	69.23	. 1121
Eastern Europe	-	11,885,174	3.30	129	8,773,773	2.21 :	. 141
Middle East		13,312.085	3.71	.96	19,112,160	4.82	93
Africa		6,108.610	1.70	69	6.317.783	1,59	66
Indian sub-continent		4,003,124	1.14	66	4,018,947	1.01	58
South-East Asia	٠.	7,452,923	2.08	48	12.043.128	3.04	122
Australia & Pacific		· - 588,490 '	0.10	4	4.955,558	1.25	. 17
Latin America		19,854,547	5.47	145	. 22.187.711	5.60	220
Cartobean		1,825.842	0.53	12	7,202,935	1.82	27
Other	٠.	295.009	0.08	. 5	75,000	0.02	. 1
Total	٠.	359,140.031	· 100 ·	1,477	396,304,219	100.00	1991
	•						

financial assets. The banks banks into increasingly down interest margins interinvolved are Barclays, Credit risky, high-margin sectors, est margins and weakening Suisse, Fuji, HSBC Holdings, JP Morgan, NatWest, and SBC Warburg.

such as acquisition finance, emerging markets and project finance.

attached to the loans, raising fears that banks are becom-In spite of shrinking loan refinancings, which ily," says Mr Fleming et ment banks - such as Gold- and enabling investors to Meanwhile, the quest for In the project finance mar- ing exposed to dangerous returns, the syndicated loans boosted lending in 1995 and Bank of America. Moreover, man Sachs, Morgan Stanley place money into e range of higher returns is pushing ket, this has begun forcing risks.

M&A: by John Gapper

Europe joins the rush

The awakening of exceptionally good year, beating its nearest competishareholder activism has stimulated a flow of large deals

A casual observer of mergers and acquisitions in 1996 could be forgiven for thinking that the 1980e had returned. A record year for mergers and takeovers in telecommunications and utilities drove M&A volumes to record levels, as investment banks scurried to build

across Europe. a cautious re-appearance during the year, despite having been discredited in the late 1980s with a rash of leveraged deals that were driven more by spare cash than by industrial logic. This time around, the engineering took the form of making logical industrial deale also appeal to shareholders.

Yet, this time the rush of mergers and acquisitions has come across Europe, rather than being confined largely to the US domestic market, and e sister economy in the UK. The gradual awakening of shareholder activism in Europe, together with deregulation of previously protected industries has stimulated a flow of large deals.

The emblematic deal in Europe was the merger of Ciba and Sandoz, the two Swiss pharmaceuticals companies, while Bell Atlantic's \$21.3bn merger with Nynex within the US wee soon matched by British Telecom's \$21.3bn transatlantic bid for MCI, showing the importance of telecommunications in the \$658bn of US transactions.

In the US domestic market, Morgan Stanley had an

Europe's top advisors

Cross-border desis

Value (2m) Merill Lynch (13) 8,236
Merill Lynch (13) 5,236
Merill Lynch (13) 5,236
Lahman Brothers (9) 4,239
Merill Lynch (12) 177
Merill Lynch (13) 177
Merill Lynch Baring Brothers (19) 3,216 Baring Brothers (19) 3,216 Baring Brothers (19) 2,451 2,451 EZM (14) 2,164 Fobert Floring (16) (in The Associated (in the Assoc

Source: Acceptations Monthly . * 1985 nank.

Salomon Brothers Scripe; Securities Data Company tor Goldman Sechs by a wide margin in value of deals. The biggest US edvisory firms also had a strong year in Europe, taking five of the top 10 places in the league table for cross-border deals after strengthening forces in the 1990s.

"American industry has been restructured and is looking for ways to rationalise," says Bob Scott, global head of investment banking for Morgan Stanley, "The trend in mergers in the 1970s up their forces of advisers towards industrial diversifinot only in the US, but cation as a way of lessening risk has been undone as The dread words "finan- companies find there is no rate businesses."

Klaus Diederichs, co-head of European mergers and ecquisitions for JP Morgan. the US bank, says that there hes been "an enormous renaissance of activity, and disentangling of corporate relationships" in continental Europe. "Shareholder value is pushing people to rationalise, and think how to get the most from a business," he

Companies have also been encouraged to restructure by the advent of low inflation, and e stable economic climate in many countries. Those companies that surout stronger, and clearer about what they need to do, and had e benign environment in which to do it," says David Verey, chairman of Lazard Brothers.

Yet despite the large volumes, M&A activity has not been random. Much of it has been a function of the emergence of global competition in industries such as pharmeceuticals, as well as deregulation of telecommunications. Companies have found it hard to produce strong revenue growth amid low inflation, leading to rapid consolidation.

The market is being driven by industry themes on e worldwide basis, rather than financial engineering. People are getting together because they can make good businesses. There is a feeling of mutual benefit ebout the process," says Kevan Watts, head of investment banking in Europe for Merrill Lynch, the US investment bank.

Beyond the ability of companies to seek mergers, there has also been a sense in industries such as US commercial banking of the need to find partners, or become lost in a game of industrial musical chairs. "The manager of mediumsized businesses in some industries may feel it is a

Continued on page 6

48,926.1 10 A.8 100

To European financial institutions

ginal borrowers; this means

banks are taking more risks

but are not picking up a lot

There is increasing talk

that banks' credit commit-

tees will become more selec-

are taking on tightly-priced

loans without getting much

in return. Already, last year,

there were signs of lender

fatigue from banks tired of

granting finely-priced loans

with little hope of generating

ity, and competition for

mandates is fierce, but we've

seen some resistance on

selected deals," says Grant

Johnson, global head of loan

syndications at NetWest

Markets. But others say

resistance is petchy and

unlikely to force a shift in

thing and do another -

there's no strong evidence so

Competitive pressures are

being compounded by the

increasingly eggressive

efforts of the big US invest-

choosy," says one banker.

"There's plenty of liquid-

ancillary business.

attitudes.

more in return."

Morgan means more breadth in strategic advice

A sample of 1996 publicly announced M&A assignments completed for European clients



Assurances Générales de France has been privatised for the

French Republic

The ordersigned acted on financial achieve to the French Communication this transaction

JPMorgan

June 1996



Alliance & Leicester through its subsidiary

has acquired Sovereign Finance the UK asset finance subsidiary of Bank Austria

The andersigned acted as financial advisor to Allianas & Leianter on this trumpaction

JPMorgan

Cirobank

November 1996

Banco Popolare Abbiategrasso has been sold to

Banca Agricola Mantovana

The undersigned acted on financial advisor to Banco Populare Abbiotograsso on this transaction

JPMorgan

Ribrary 1996

Dresdner Bank

has acquired

RCM Capital Management Limited Partnership

The undersignal acted as financial action to Dreuder Bank on this transaction

JPMorgan

Fortis

Fortis International NV has sold its subsidiary

Livsforsikrings-Aktieselskab Utrecht

Alm. Brand A/S

The undersigned acted as financial advisor to Fartis International NV on this transaction

JPMorgan



Legal & General Group Plc has sold its commercial general insurance business

Guardian Royal Exchange Plc

The undersigned acted as financial advisor to Legal & General on this transaction

JPMorgan

to help them succeed.

July 1996

Sparbanken Sverige AB (publ) (Swedbank)

has denerged its property company

Tornet

The undersigned pated on financial advisor to Swedbank on this transaction

JPMorgan

March 1996

WestLB

Westdeutsche Landesbank Girozentrale through its subsidiary West Merchant Bank Holdings Limited has acquired

Panmure Gordon & Co. Limited

NationsBank Corporation

to Right B on this transportion.

JPMorgan

The undersigned acted as financial advisor

March 1996

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knowledge. And more of a commitment

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Advisers on global completed deals Advisor Value Market No. of Sm Rank share deep 102 157 6 8 160 20 Ment Lynch and Co. 4 125 152 126,599.2 Credit Suisse First Boston Moder & Co. You 8 97 153 Cahman Brothers 98.245.1
Laboral Houses 92.897.2 8 5.7 81
USS 58.171.2 8 5.7 81 98,245.1 UBS 58,171.2 B 5.7 B1

Bear Steamer 50,718.9 55

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6 GLOBAL INVESTMENT BANKING

■ New equity issues: by Richard Adams

Pizzas start a revolution

A growing market best bank." in Europe helped year for new equity issues

International investment banks keep to cook up new business were looking in some unusual places last year - including Spanish piz-

The strong reaction to the initial public offering of Telepizza, Spain's leading fast-food company, was a symptom of the worldwide demand for new equity issues. And it also showed a widening of the opportunities for primary offerings in Europe.

Telepizza joined other high-growth sector companies in coming to the market in 1996, including famous namea such as Gucci, the luxury goods manufacturer that made its second issue in 1996, Saks Fifth Avenue, the US department store group, and Tag Heuer, the Swiss watch manufacturer, among others.

Together with record levels of government privatisation - including the giant offering of Germany's Deutsche Telekom – and the continued hull run oo equity markets in the US and Europe, new equity issues provided some of the most attractive returns to investment banks.

And - at least while the Dow-Jones average and the FTSE index continue to look healthy - this year promises to be just as lively, driven by the further record bursts of privatisatioo activity scheduled for 1997.

But the price of this buoyant market has been to attract other banks to move ioto the business. The increasing competition between investment banks has put downward pressure on margins, especially in equity issues in emerging

Some banks have been able to swim against the tide of narrowing margins. US investment bank Morgan Stanley described 1996 as an "outstanding year" on the primary market. Jerker Johansson, bead of equity capital markets for Morgan Stanley in London, said that because it belonged to a new the bank's average margins sector for Madrid's Bolsa had actually risen over the and is likely to eocourage year, thanks to the bank's other small, family-owned reputation and investment in research and distribution.

We bave been very active with someone who is very dependent on the price and success of their IPO being at a level they feel comfortable

with," Mr Johansson said. "But cutting half a point on the spread is not what it's been even more evident last about - the clieot wants the year. "Morgan Stanley have

Morgan Stanley'a major deals in 1996 incloded the make 1996 a good floatation of Gazprom, the giant Russian gas and oil supplier, in the biggest offer-ing ever done in that country, Scania, the Swedish truck manufacturer, and the tricky hut ultimately auc-

cessful flotation of Mediaset.

the Italian media group. While those names may bave grabbed headlines, one offering Mr Johanaaon picked out as "very successful" was that of Credit Communal de Belgique (CCB), the second largest bank in Belgium. Morgan Stanley acted as global co-ordinator for what was Releium's largest IPO, floating almost 30

times oversubscribed Such offerings are an important step in establishing a sharebolder culture in Europe. The CCB offering

per cent of equity on the

Brussels bourse for \$1.1bn,

with the issue being five



Jerker Johans year on the primary market

saw 125,000 small domestic investors apply for shares. In Germany, 2.5m individuals signed up for information about Deutsche Telekom's IPO. Similarly, the Teleptzza IPO was 154 times over-subscribed in Spain and nearly 12 times over-subscribed internationally. Global co-ordinators for the IPO were BBV Interactivos, the broking unit of Banco Bilbao Vizcaya, and Merrill Lynch.

In splte of its small size, worth Pta10.3bn (\$81m), the Telepizza listing represented a cultural revolution,

companies to come to the market. Offerings by as many as in IPOs, and in IPOs you are five family-owned groups, typically dealing with big worth Pta25bn, are underowners. You are dealing stood to be in the pipeline, and a further 10 of a similar size are under serious coosideration.

> Mr Jobansson said that the shift in demand towards Europe for new issues had

traditionally come from a US background. Now, we end up our distribution income in Europe itself," be said. "Every time we sell an offering in Europe we realise the depth of demand axisting

there. The US also saw a bumper year for the primary markets. By mid-December, a record total of 867 companies

had raised \$50bn. But even on Wall Street, Europe was making its presence felt. More than \$10bn was raised by the 98 international companies that issued shares in the US for the first time, beloing international issuance easily heat the record of 60 companies raising \$6.6bn in 1993. But while most of the new international offerings in 1993 came from Latin America, in 1996 international offerings came mainly from westsrn

The largest non-US offering of the year on Wall Street came from the German government's sale of a big piece of Deutsche Telekom on the US market, raising \$1.6bn from US investors out of the total \$13.5bn international deal

Domestic successes during the year in the US included the IPO of Saks Holdings. the bolding company for Saks Fifth Avenue, the upmarket US department store chain, Goldman Sachs beaded the team of underwriters for the offering, while CS First Boston, Morgan Stanley and Salomon Brothers were co-leads.

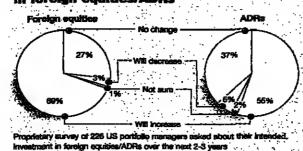
But not everything went perfectly in 1996 - the subsequent performance of top-ofthe-range sports watch manufacturer Tag Heuer underlined some of the risks involved.

Salomon Brothers and SBC Warburg were the joint global co-ordinators for the SFr614m (£282.9m) issue, Switzerland's biggest for the year. Interest in the issue was strong and heavily oversubscribed, with shares priced at SFr245 and \$19.55. Yet by December, two months after the IPO, they were trading at SFr177.5 and

Observers say investors had unrealistic expectations of the performance of the company, and were prepared to ignore its negative equity of SFr70m and borrowings of SFr216m. And last year's bull market meant the initial

offer price was too high. For international equity markets, returns may prove to be an area of concern. While the average IPO in the US rose by about 20 per cent, most of the big international offerings were below their offer price by December. Even Deutsche Telekom, which was above its offer price, had returned just 9 per cent by the year's end.

Intended US investment in toreign equities/ADRs



US equity issues: by Lisa Bransten

US equity offerings 17.3 92 14 166.9 16.632.7 12.3 11,8122 14.204.2 Merrill Lynch 12,701.5 5.135.5 8.037.8 Donaldson Luston & 5.521.8 Smith Barney 7.871 5.785.2 Salomon Broth Credit Suisse First Bo 3.144.2 Alex Brown & Sons

3.7

. 74

4.283.3

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nampagne on Wall Street

Lehman Brothers

A record of nearly \$115bn of new stock was issued on US markets last year

Champagne bottles were uncorked across Wall Street last month as US investment banka earnsd record amounts of money in 1996 underwriting the sale of shares to investors hungry for more supply. However, the outlook for this year is cloudy.

Nearly \$115bn of new

stock was issued on the US markets passing the previous high of \$103bn set in 1993, according to Securities Data, which tracks transactions. Almost \$50bn of that capital was raised in initial public offerings that brought 867 new companies to market thus passing the previous high of 665 companies raising \$34bn also set in

For the second consecutive year, Goldman Sachs, the US investment bank led the way in equity underwriting, controlling nearly 15 per cent of the market.

Close behind, with market shares of 12 per cent and 11 per cent respectively, were Merrill Lyncb and Morgan Stanley.

Among the driving forces in the surge in issuance last year were the dual trends of privatisation and restructuring that have gripped corporations around the world. says Eric Dobkin, bead of global equity capital markets at Goldman. He calls such deals "event-

driven transactions" because they are tied to a specific circumstance such as the spin-off of a subsidiary to shareholders rather than the general need for new financ-

were done because debt rat- gage lender TMC. ings were under pressure and [companies] needed new capital to expand their operations," he says. "If you look at most of largest offerings in 1995 and 1996 all of them were event-driven."

For example, the two largest US companies to float last year were Lucent Technologies, the telecommunications equipment company that was spun off from telecoms giant AT&T and Associates First Capital, a financial services group divested by Ford, the US car maker. The Lucent offering raised \$3bn in the largest offering ever floated on the US market. The Associates raised \$1.7bn;

Similar trends in Europe led to deals such as Fiat's divestiture of its Dutch farm equipment division, New Holland

The flotation of New Holland raised \$1bn and nearly three quarters of that came from Wall Street. Also, the trend toward global privatisation - such as the German government's sale of Deutsche Telekom to investors in a deal that raised \$1.6bn in the US - should continue to create new supply.

Instead, the key issues for 1997 are: whether money will continue to flood into equity mutual funds as it did in 1996 and wbether the stock market will continue to defy the laws of gravity.

"The real question is not the supply but the demand: is there going to be enough cash to continue to put to work in the new issues mar-

ket?" asks Richard Kauffman, director of equity capital markets at Morgan Stanley, the US investment bank.

The gush of new money

into mutual funds appears to have held up in December, according to preliminary figures from the Investment Company Institute, the mutual fund trade association, but there is uncertainty wbetber last year'a record

Another reason for the

flows will be repeated.

surge in issuance last year was the tremendous gains seen in the equity market that made for attractive valuations for issuers. The Dow Jones industrial Average gained 26 per cent for the year, while on the technology-rich Nasdaq - wbere lower listing requirements facilitate the flotation of newer growth companies gaina were nearly 23 per

So far this year the markets appear co-operative. In just the first three weeks of this year both the Dow and the Nasdaq were up about 7

Manager or group

USA & Canada

Standard & Poor's, believes that strength in the initial public offering market can be a predictor of "rockiness" [turbulence] for the equity market in general. With records being set in 1996, be says, "that does not bode well for the overall market". Another key issue will be

But Robert Natale, direc-

tor of equity research at

offerings, particularly in the technology area. While the biggest deals of last year came from spin-offs and privatisations, some of the most attention-grabbing deals were among very young companies that had

thair fortunes tied to the

Internet.

the performance of recent

The rush by Internet companies to offer their shares to the public was sparked in 1995 when Netscape Communications went public in one of the most successful IPOs

In the early part of last year offerings auch as Yahoo!, Infoseek, and Lycos, all of which publish Internet directories on the World Wide Web, were in high

demand But such small companies were among the hardest hitas the technology sector in general stumbted in July and only Yahoo! finished the year above its offering price.

Such deals contributed to the weakening of IPO returns in 1996 and to the jump in the number of companiss that went public without any history of operating earnings. Returns on new offerings slipped to 12.8 per cent, from more than 20 per cent in 1995, according to

Securities Data. Meanwhile, the number of companies that had losses when they were floated climbed to 27 per cent compared with 17 per cent in 1995 and 8 per cent in 1994. according to Renaissance Capital, the IPO research

Those kinds of returns could lower the amount of equity issuance this year. They are also sure to lead to "fewer deals with more reasonable valuations", says Mr

Whole year 1995

340.00

.0.00

32,485.87

Securitisation: by Samer Iskandar

Record number of new issues

Investors hungry for yield fuel a need for greater innovation

in Europe

Asset securitisation was ons of the fastest-growing sectors in the international cap-Ital markets in 1996, and bankers remain optimistic on the prospects for 1997, which marks the 10th anniversary of the first European securitisation - a mortgage "Five years ago offerings backed bond by UK mort-

> The total amount of inter national new issues last year reached a record as growing sophistication in banks capacity to analyse securities and bunger for yield drew an ever wider array of investors into the sector.

"The most significant change over the past five years is the increase in the number of investors willing to lovest in asset-backed securities (ABS)," says Karl Essig, bead of international securitisation at Morgan

Stanley in London. ABSs worth more than \$102bn were launched on international markets, almost three times 1995's volume and more than 10 times 1992's issuance. Western European borrowers accounted for 22.2 per cent of this amount, up from 11.3 per cent the previous year,

ccording to Capital Data. Market participants are optimistic that the underlying trend in issuance will cootinue to grow this year, although it is not clear wbether a new record will be achieved. Bankers poioted out that Issuance in 1996 was partly distorted by the size of three large one-off transactions, which accounted for roughly \$17bn of securities, an occurrence that is unlikely to be repeated.

"Whether 1997 is more active than 1996 will depend on a handful of very large one-off deals happeoing." says Alexander Juatham, vice-president for structured products at JP Morgan in

Things are different in the

719.27 0.70 Ireland 569.39 0,56 . 7.74 7,901.93 France 1,040.01 528.0B Netherlands 706.61 1,682,50

738.67 1.91 0.00 0.00 570.16 0.69 381.88 0.99 789.41 2.04 295.87 United Kingdom Developed Asia 744.97 Emerging Asia 450.00 0.00 1.18 Latin America 530.00 1,050.00 9,290.42 9.10 64.66 102,064,44 100 38,617,60 100

repeat this year.

is being achieved?"

Volume of international asset-backed bond issuance, by region*

65.80

tisation. "We could poten-

35

US. a market unanimously described by analysts as

Guy Hands, bead of principal finance at Nomura International, says: "The US market is driveo by the availability of large pools of homogeneous assets", such as mortgages, car loans, credit card receivables, and studeot loans. As a result, US primary activity is dominated by a limited number of regular issuers, launching several large slzed deals

every year. Conversely, last year's landmark issues in Europe were motivated by one-off events, such as company restructurings. Most noteworthy were issues by EPFR. the Freoch statebacked entity set up to help rescue Crédit Lyonnais and GPA, the aircraft leasing

The \$5bn ROSE Funding issue on behalf of National Westminster Bank, for exampie, is unlikely to become a recurring event - after all, the bank securitised onethird of its corporate loans in ooe transaction. But Nat-West Markets, which arranged the deal on behalf of its parent bank, believes it

could inspire others. "A new asset class was

opeoed up by the ROSE structure," says Andy Clapham, director of asset securi-

tions can take several years of efforts before they can be brought to tha market. For example, last year's securitisation of Spanish tax receipts levied to finance the dismantling of nuclear reactors involved drafting legis-

Bnt despite the associated complications, analysts expect further innovation in Europe this year. Carl Essig at Morgan Stanley, which arranged the Spanish moratorlum "nuclear bonds", believes that "inno-

funded and well capitalised." says J.P. Morgan's Alexander Justham Furthermore, some of the more complicated transac-

Europe. "The main asset

holders [savings banks.

mortgage lenders, etc] tradi-tionally bave been cheaply

lation that was acceptable to the parliament. vation [in terms of exotic asset classes] is more likely

tially see more of this type of Some analysts cite Eurodeal." Bankers in London pean economic and moneagree the transaction "has. tary union as a possible catamade everyone in Europe lyst for innovation. "The think", but few expect a Cyber-Val deal [linked to the... rescue of Crédit Lyonnais] "Most types of assets can is, in fact, a subsidy for the. be securitised", says Guy Hands, "but one has to bank disguised to stop it from appearing in the govanswer the question: 'what ernment's key Maastricht ratios," said one banker. Also, the temptation to Such attempts to alleviate securitise large pools of assets is oot very strong in

to originate ontside the US":

governments' finances have also been applied in Italy in a deal resembling Spain's moratorium bonds - and Ireland - to finance local authorities' mortgages for low-cost housing. In the UK. several issues linked to the Private Finance Initiative were launched. Thess include the sale of property-by the ministry of defence, financed with proceeds from the securitisation of future rents, as well as an issue arranged by Nomura to finance GRS Holding's purchase of Angel Train Con-tracts from the government Guy Hands, at Nomura, believss securitisation

could well change the way. lending is conducted". However, a new attitude to lending was made possible

by investors' willingness to accept higher levels of risk Future development of the market for ABS in Europe. will be largely dependent on

the largest investment banks

in cross-border deals, argues that the overall size of a bank does not matter. The fact that you have 9,000 people is irrelevant if the vas majority of them are doing something completely irrelevant to a particular deal." Despite the wider fitters of

an industry waiting ner-vously for a downtum in markets, the leading advisory firms talk with confidence of the pipeline of deals in M&A. Most hope that the forces of industrial consolidation will not dry up for Tony Alt, a managing some time yet, and will vindirector of Rothschild, which dicate their decisions to aucceeded in competing with expand around the world.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Securities The offer is made only by the Prospectus. December 13, 1996

ecsoft **ECsoft Group plc**

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Price \$10 Per ADS

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Adams, Harkness & Hill, Inc.

UBS Securities

Furman Selz

Europe ioins rush

Continued from page 5

question of jump first, or be jumped upoo," says Mr For all this, there has been a strong element of financial

engineering in deals such as BT's takeover of MCL Roths-childs, which advised BT, aod the Lazard Houses. advising MCI, tried to find a way of squaring the interest of US sharebolders accustomed to high capital growth, with UK shareholders who place more emphaais on divideod flows. "Giveo the rigour which

with the market is prepared to criticise and queation deals these days, it would be a very foolish company that decided to do something on a wing and a prayer," says Mr Verey. He says one company chairman he knows always thinks of explaining the deal to a room full of managers

from Fidelity Investments. Revenues from M&A have stood up well despite competition for business, compared with other areas of investment banking such as initial public offerings for the largest government privatiaa-

tions. This is largely because of the value attached to the successful completion of deals, and their acceptance by the market.

While the largest investment banks have made atrides in Europe, small advisory boutiques and medium-sized firms such as Baring Brothers in the UK and Lazard Frères in France have maintained a strong position in domestic markets. This is partly because of the appeal of bouses with no possible conflicts of interest with equities arms.

The client comes

Auchan

FFr19,400 Million

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Deutsche Telekom

DM20,320 Million

Global offering of 713,000,000 shares of common stock

We acted as joint global co-ordinator

Deutsche Morgan Grenfell

MGM Grand, Inc.

US\$341 Million

Global offering of 8,625,000 shares of common stock

Deutsche Morgan Grenfell

Deutsche Morgan Grenfell

Deutsche Finance

(Netherlands) B.V.

1% DM Global Bonds 2001

Deutsche Morgan Grenfell

DM1,000 Million

Exchangeable into shares of Alliant AG

Pilipino Telephone

Corporation

US\$193 Million

We acted as financial adviser to Auchan

Deutsche Morgan Grenfell

Acquisition of Docks de France

Baan Company N.V.

USS200 Million

Convertible bonds

Deutsche Morgan Grenfell

Tingyi Holding Corp.

HKS1,567 Million

Global offering of 932,752,000 shares of cummon stock

Deutsche Morgan Grenfell

Daimler-Benz AG

DM1,200 Million

January 1996

N.E.W.S. --Notes with Equity Warrant Securities

We acted as sold bookrunner.

Deutsche Morgan Grenfell

Texas Pacific Group (USA)

LIT500 Billion

Setting up of TPG SpA for leveraged buy-out of Ducati Trademark and related assets and liabilities

Deutsche Morgen Grenfell advised, on and structured this transaction -Deutsche Morgan Grenfell also acted as facility agent and co underwriter for the LIT280 Billion debt

Deutsche Morgan Grenfell

P.T. Telekomunikasi

RP1.436 Billion

Placement of 388,000,000 benalf of the Government of

December 1996

Deutsche Morgan Grenfell

MIM Holdings Limited

AS414 Million

Global placement of 243,900,000

We acted as solo placing agent

Deutsche Morgan Grenfeil

Siemens Capital Corporation

DM250 Million

Convertible bonds

Deutsche Morgan Grenfell

Deutsche Morgan Grenfell

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Investment Banking Division

Deutsche Morgan Grenfell



GIVING NEW MEANING TO IN head off co

WORLD'S LARGEST FINANCINGS

July 199

\$27,200,000,000



General Motors Corporation

General Motors Acceptance Corporation

The undersigned served as Advisor to General Motors Corporation and to General Motors Acceptance Corporation in the repricing, amendment and extension of six syndicated credit facilities to the companies and to their subsidiaries and affiliates.

Chase Securities Inc.



ONE STOP BANKING

This announcement appears as a matter of record only.

November 1996

\$1,185,000,000

International Home Foods, Inc.

The successor to American Home Food Products, Inc. controlled by affiliates of Hicks, Muse, Tate & Furst, Incorporated and certain other investors

\$770,000,000

Senior Secured Credit Facilities

\$400,000,000

10%% Senior Subordinated Notes due 2006

\$15,000,000 Equity Investment

Chase Securities Inc. acted as Arranger on the Senior Secured Credit Facilities, Lead Manager on the Senior Subordinated Notes and Financial Advisor to Hicks, Muse, Tate & Furst, Incorporated. The Chase Manhattan Bank acted as Administrative Agent on the Senior Secured Credit Facilities. Chase Capital Partners provided a portion of the equity financing.

CHASE

COMPLEX ASSIGNMENTS

June 1996

\$3,700,000,000



Kmart Corporation

Senior Secured Credit Facilities

Chase Securities Inc. structured, arranged and syndicated the facilities and acted as financial advisor to Kmart Corporation in connection with its recapitalization.

Advisor and Arranger
Chase Securities Inc.



YANKEE BONDS

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New Issue

lanuary 1997

\$650,000,000



Empresa Nacional de Electricidad S.A.

(acting directly and through its Cayman Islands branch)

\$230,000,000 7.875% Notes due 2027

\$220,000,000 7.325% Notes due 2037

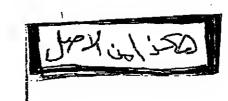
\$200,000,000

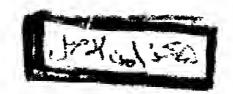
8.125% Notes due 2097

Lead Manager
Chase Securities Inc.



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FINANCIAL TIMES

COMPANIES & MARKETS

Friday January 31 1997



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Serbs buy grain to head off crisis

Serbia, normally a grain exporter, will have to import large amounts of wheat this year, independent analysts said. The effects of a disastrous 1996 harvest have been exacerbated by the government's sale of reserves to raise muchneeded bard currency. Page 34

Premier Farnell blames BZW for bungle The chief executive of Premier Farnell, the UK electronic components distributor, tried to shift the blame for Wednesday's profits warning to BZW, the company's broker. Mr Howard Poulson said the profits warning was "extremely badly handled". Page 27

Paper group warns of falling prices SCA, the Swedish pulp and paper group, reported a 38 per cent fall in pre-tax profits for last year and warned that pulp prices might fall.

Flat reports upswing for profits Fiat, Italy's largest private group, reported a slight increase in pre-tax profits last year as a result of special gains of around L1,400bn (\$865m) from asset sales. Page 22.

Strong results boost Rhone-Poulence Rhone-Poulenc, the French drugs and chemicals group, reported a 28 per cent advance to FFr2.74bn in 1996 net income, spurred by strong performances from its pharmaceuticals and plant health divisions. Page 22

BCH sees results from restructuring Spain's Banco Central Hispano (BCH) has seen through a tough financial restructuring programme and begun to deliver improved dividends. The group reported net attributable profits of Pta33.5bn (\$241.1m) for last year. Page 22

Jollibee misses growth target Jollibee, the Philippines' largest fast-food chain, fell short of its growth target despite lifting net profits 12 per cent to 603m pesos (\$22.9m) in the year to December 31. Page 26

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Dow Chemical Ernst & Young **GE Capital**

Chase Manhatten

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tenchmark Govt bonds Bond futures and options Bond prices and yields Commodities prices Dividends announced, UK EMS currency rates Fixed Interest indices FT/S&P-A World Indices FT/ISMA inti bond suc

FTSE Actuaries share indices Californices London share service Managed funds service Money markets New inti bond lesues Recent Issues, UK 44 Short-term int rates US Interest rates World Stock Markets

Chief price changes yesterday

PRANKFURT	(DMD)		PARIS (FF1)		
Rises			Ricos		
BMW.	1052.5 +	22.5	Alcetal	523.0	
SEA PH	544 +		Michelin B	320.5	
Karatadt	500.0 +		Peupeot.		- 30
	596 +		Salat Gobein		- 38
Lahmeyer		140	Sommer Allibert	166.5 +	- 5.5
Muench Rusck F	2030 +	11.3	Falts		
Thyssea		1149	Eridania S-S CI	737 -	- 38
NEW YORK	3 9		TOKYO (Yen)		
Rises .		24	Falls		
Alcatel Afathom	1976 +	314	Catyoda Corp	633 -	- 37
Doncagiers	20 +	=	Full Spiencing	393 -	- 32
Micron Tach	35% +		Koyo Selko		- 61
SCPIE Hidge	2094 +	25	Milbishi Steel		- 35
Falls					. 41
Hughes Supply	32% -	51/2	MIN		43
Westcorp	15 -	2%	Nithon Cotoent		-
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Rises	-		Rises		0.18
Bullough	9514 +	19	First Sign	29 4 340 +	
Remos Energy	1305 +	155	Gioriene Sun		
Fello			SHK Hong Kong	0.54 +	
Epic Multimedia	20 -	26	Palis		0.23
CB Pallways		597/2	Fairyoung	3.72 -	
Premier Famel	520 -	112%	Monhatten Card	3.15 -	
Staveley Inds		23	Semi-Tech	9.95 -	0.80
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ical Petrolego	7.1 +	0.55	Shinawatra	32.5 +	2.5
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Akin B	10.65 -	0.85	Krungdhep	111 -	
Deirina	20.0 -	1.5	Sincer	317 -	
	4.75 -	0.4	Thei Rebbet	33.25 -	
Plaintree Sys	97 -	0.65	Thei Telaphone	22.Ū -	3.25

British Digital Broadcasting seeks to launch digital terrestrial television in UK | Hennes &

By Raymond Snoddy

Carlton Communications. British Sky Broadcasting and the Granada Group will reveal today that they bave joined together to bid for the right to launch digital terrestrial television (DTT) in the UK.

The powerful consortium -British Digital Broadcasting is also believed to have reached agreement with the BBC to hroadcast up to eight new subscription channels in what could be one of the biggest shake-ups in British

Glaxo to axe

non-executive

chairman post

deputy chairman.

The changes take effect at

Glaxo's annual meeting on

May 19. Until then, Mr Lance,

a karate expert and former

captain of the Transvaal

hockey team, assumes the new

post of chief operating officer.

Mr Lance, 48, joined Glaxo to run its South African business

in 1985. He was quickly pro-

moted and at one time or

another was responsible for

most territories outside the

Analysts consider him a

tough and efficient manager

whose experience will be valu-

able to a company that has 92

per cent-of its £8bn a year

changes a cautious welcome.

the normal pattern of having

non-executive chairman and a

chief executive, and Sykes is

not going to be as independent

a chairman as we normally

like them to be," said Mr Gra-

ham Wood, head of UK equi-

ties at Standard Life in Edin-

be a strong leader of the non-

executive directors and Sykes

has an excellent track record

running the company.

Shareholders gave the

"This does not conform to

turnover outside the UK.

Americas.

ment reflected the company's burgh. "But Roger Hurn will

DTT, which could bappen by the middle of 1998.

The presence of British Sky Broadcasting in the three-way end of next year.

Applications for four com-

to announce the launch of blocks of frequencies have to United News, Canal Plus, the multiplex is guaranteed for the be received by the independent French television subscription noon today. In addition, two multiplexes are reserved for

public service broadcasters.

Television Commission by company, and Merrill Lynch, the US investment bank.

The advantage of digital terand can be received on conventional aerials. It should be postelevision channels, including the existing national channels. in digital picture quality with

Under broadcasting legisla-Authority. The other members tion one group can own no more than three multiplexes.

use of the Welsh Fourth Channel and S4C will apply to oper-Of the remaining two, one is for the BBC and the other is to

channels from the BBC should proposition. Senior executives of Dixons, the consumer electronics chain, bave made it clear that if DTT looked viable would order television sets with integrated digital circuitry costing only £200 more

Hennes & Mauritz, the Swedish fashion retailer, is to open a further 50 outlets this years as it continues an explosive growth trail which has made it the hottest stock on the Stockholm bourse.

H&M said the additional stores would include five in Finland, a new market. The company also plans to enter the French market in spring

The expansion is similar to the rate of growth in 1996, when 52 stores were added on a net basis. The company now operates more than 440 outlets extending southwards from the Nordic countries across

H&M shares, which have risen 185 per cent in value in the past year, surged yesterday to an all-time high of SKr1,180, although they slipped back to close at

H&M's announcement came as it reported a 44 per cent leap in annual profits. Pre-tax profits in the period 1 December 1995 to 30 November 1996 rose from SKr1.3bn to SKr1.9bn, booyed by an improvement in gross margins from 12.6 per cent to 15.1 per

brushed off a weak retail climate in Europe in 1996/96 to post a 28 per cent increase in underlying turnover, including currency effects, sales advanced from SKr14.6hn (\$2bn) to SKr17.2bn, an increase of 18 per cent.

The company said comparable outlets had increased their sales in local currency across all H&M's markets. Mr Persson, H&M chief executive. attributed the strong performance to price cuts, which had belped to take market share from competitors.

costs amounted to SKr677.5m.

Broadcasters link up for TV bid

roadcasting.
The UK is the first country

Glaxo Wellcome, the world's

biggest drugs company, is to

break with what many fund

managers regard as UK best

practice in corporate gover-

nance by abolishing the job of

In a top management reshuf-

fle, Sir Richard Sykes moves

from chief executive and dep-

uty chairman to executive

chairman. He will be replaced

by Mr Sean Lance, the South African-horn managing direc-

Sir Colin Corness, 65, will

retire as non-executive chair-

man after two years in the job.

December 1992 said that a com-

pany's management structure

should "ensure a balance of

power and authority, such that

This has since been accepted

as meaning that companies

should have an independent

non-executive chairman belan-

Glaxo said the new arrange-

increase in size. When Sir

Colin became chairman, Glavo

had yat to launch its takeover

Tha non-executive directors

will be led by Sir Roger Hurn,

chairman of Smiths Industries,

no one individual has unfet-

tered powers of decision".

cing the chief executive.

of UK rival Wellcome.

The Cadbury committee in

non-executive chairman.

tor of the company.

equal shares consortium means that subscription televisiou channels such as Sky Sports and Sky Movies could be received without satellite dishes or cable networks. The move complements BSkyB'a decision to order 1m digital satellite receivers and launch 200 channels of digital satellite television in the UK before the

mercial "multiplexes" or believed to be Lord Hollick's Half the remaining commercial

Concentration of power may break with Cadbury recommendations

chaired by Mr Michael Green. chairman of Carlton, will come from a consortium put together by CableTel, the USowned cable company which also owns NTL, the engineering and transmitter arm of the old Independent Broadcasting of that consortium are

restrial over satellite is that it The main challenge to Britcan be broadcast from ordi-ish Digital Broadcasting, to be nary land-based transmitters

sible to broadcast at least 30 CD-quality sound.

50 new outlets ate the rest of that multiplex. By Greg McIvor in Stockholm be shared by ITV and Channel The arrival of BSkyB plus turn DTT into a commercial

much of western Europe.

SKr1,109, up SKr15 on tha day. The stock bas by far the highest nominal value of any

share in Stockholm. The company yesterday said the high valuation meant it was planning a 5:1 split in its shares.

The company, which is con-trolled by Mr Stefan Persson,

Investment and new start-up against SKr588.2m. Return on capital employed rose from 24.3 per cent to 28.3 per cent and earnings per share advanced from SKr23.52 to

Mercury Finance lawsuit

Observer, Page 15;

By John Authors in New York

22 A class action lawsuit has been filed against Mercury Financa, a Chicago-based finance company that offers loans to buy used cars and was planning to give loans to finance plastic surgery costs. It alleges that its executives had "netted millions of illegal

profits". The action followed the company's announcement ou Wednesday that profits for last year were less than half the level announced last week and that it did not know the whereahouts of its chtef finance officer, Mr James

> A lawyer for Mr Doyle said he was co-operating with fed- \$4m in cash bonuses on the thorised transactions".

eral authorities. He added: basis of "fraudulently "James Doyle did not disappear. He decided, with the advice of counsel, to no longer participate in the characte taking place at Mercury The suit, filed by the New

York law firms of Wolf Popper and Miller Faucher Chertow Cafferty & Walker, attacks the high level of bonuses paid to Mr Doyle and to Mr John Brincet, chairman and chief executive.

It alleges that Mr Brincat "sold bundreds of thousands Finance stock. of shares of Mercury common stock at inflated prices, netting millions of illegal prof-Brincet was naid more than

reported earnings". Mercury Finance's shares have been suspended stuce Wednesday morning, when the announced that its profits for 1996 had been restated from \$120.7m to \$56.7m. Previous

Lex, Page 20 Sean Lance (left) is to become chief operating officer and Sir Richard Sykes executive chairman

This automocenous appears at a matter of record only

years' profits also needed to be reduced. Its daal to buy Fidelity Acceptance, the consumer finance unit of BankBoston, is in jeopardy. The transaction was to be

financed in part with Mercury

Analysts downgraded their forecasts for Mercury Finance, with Piper Jaffray, a brokerits". It also claims that Mr age, saying it was "difficult to assess the extent of the unan-

Telecom Eireann considers flotation in three years

By John Murray Brown in Dublin

Telecom Eireann, Ireland's state-owned telecommunications company, said yesterday that it was considering a flotation within the next three

Mr Alfie Kane, chief executive, also said the company was in discussions on a possible acquisition in South America.

The disclosures coincide with the launch of a strategic alliance with KPN, the Dutch telecommunications company, and Telia, Sweden's state

cent stake in TR, valuing it at 19915m (\$1.47bn). Mr Kane said: "If we were having this conversation three years ago, no one could have

KPN-Telia is taking a 20 per

about an investment in South America. The reality is our awarded by Brussels. cash flow is better than we expected." He said the company would

be "sticking to its knitting" and focusing on less mature markets. "The vast majority of the world doesn't have a tele- structure. In addition, the comphone. There is no possibility the major telecoms companies is significant opportunity for year.

KPN-Telia has the option to

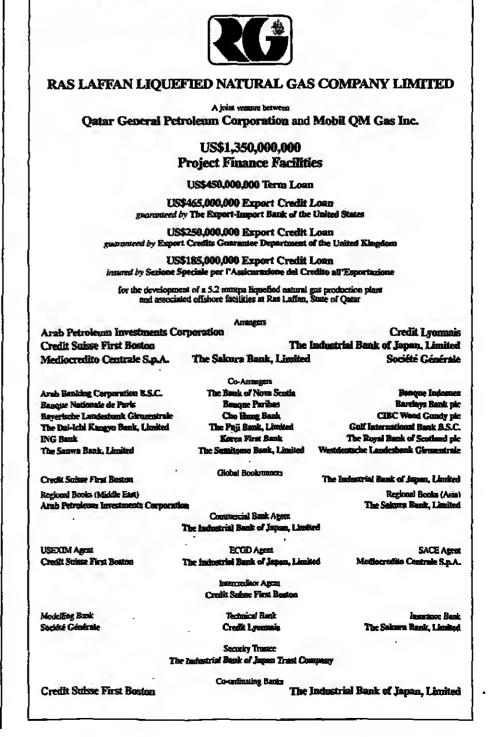
In November, the European financial year. Commission approved the

imagined we would talking ary 2000, three years earlier than the original dispensation The company faces the pros-

pect of competitors in its home market while undergoing financial restructuring cutting its debt and payroll costs, and seeking to rebalance its tariff pany will soon start to pay tax. TE made pre-tax profits of could digest all of that. There IE116m on sales of IE1.1bn last

Healthy cash flow has allowed the company to reduce buy a further 15 per cent in its debt from more than Ethn three years. "As part of the in 1993 to IE703m in March exercise of the option, it's 1996. The debt to equity ratio. quite likely there will be a which was 250 per cent in 1993, public offering," Mr Kane said. is projected to fall to close to The timing will be critical. 50 per cent hy the end of this

The company shed 1,200 timetable for liberalising Irish workers last year, helping to telecommunications in Janu- cut Is 22m from the wage bill.



In terms of profits from

percentage

operating activities, the

advance came from chemi-

cals, in spite of a strong

downturn in the contribution from the group's tita-

nium dioxide activities. The

weakest unit was fibres and

polymers, which was hit by

what the group described as

Tha company recently

reorganised two of its most buoyant divisions to

improve the visibility of its

fast-growing human pharma-

ceuticals businesses. Based

on 1995 figures, this made

nharmaceuticals the largest

of the group's four divisions,

accounting for about 35 per

cent of turnover, followed by

"worldwide polyester

strongest

By Tom Burns in Medrid

A financial restructuring at Banco Central Hispano, the Spanish banking group, has begun to deliver profits and improved dividends.

The group, which has the biggest branch network among the domestic banks, yesterday reported net attributable profits of Pta33.5bn (\$241.1m) for last year.

Although low compared with the other big Spanish banks, last year's income was nearly three times the Pta12.4bn attributable profits BCH declared in 1995. BCH's 1995 earnings were

By David Owen in Paris

Rhône-Poulenc, the French

drugs and chemicals group,

vesterday reported a 28 per

cent advance to FFr2.74bn in

1996 net income, spurred by

strong performances from its

pharmacenticals and plant

The improvement was in

spite of the negative impact

arising from a recall and

halt in production affecting

some products sold through

Canteon, a joint venture

Rorer, Rhône-Poulenc's 68

per cant-owned US drugs and Germany's

Hoechst. This was assessed

by the group at 64 centimes a share. But it warned the

effects would continue to be

felt in results for the early

Mr Jean-René Fourtou, chairman, said that his

part of the current year.

health divisions

Ptal34bn to provisions for bad and doubtful loans, and a further Pta95.4bn to cover loan portfolio

end property risks. The charges, which followed consultations with the Bank of Spain, aimed to overcome the difficulties that arose when it was created out of a merger between Banco Central and Banco Hispanoamericano in 1991. BCH had net attributable profits of more than Pta69bn

in 1991. Mr José Maria Amusátegui, BCH chairman, said the bank had a 'magnificent year" in 1996. He said the dividend would be raised by

objective for 1997 was an

income per share, "excluding exceptional items".

were planned and the once-

acquisitive company would

rely for growth on "internal

development". Having estab-

lished a "global infrastruc-

ture" via a string of acquisi-

tions in the past 10 years,

the priority now was to

Mr Fourtou said the group

was not interested in a

pharmaceuticals company

which Elf Aquitaine, the

French oil group, eaid

recently it might sell control

of. He also confirmed he had

no intention of splitting

Rhône-Poulenc's pharmaceu-

ticals businesses from its

least in the short to medium-

develop new products.

between Rhone-Poulenc link-np with Sanofi, the

crease of 20 per cent in net

He said no big acquisitions

40 per cent last year for the second ar running.

The group's return to profitabil-ity, which was in line with market estimates, was underlined by a 18.1 per cent increase in net interest income to Pta283.7bn and by a 23 per cent increase in operating profit to Pta101.2bn. Analysts said BCH had a good potential for con-

tinued earnings growth.
The improved quality of BCH'e loan portfolio allowed a 37.6 per cent fall in net provisions from Pta75.7bn in 1995 to 47.2bn last year. Income from extraordinary disposals, which had helped the

Rhône-Poulenc net ahead 28% at FFr2.74bn

of proceeding with a brutal

separation of our activities."

the group would exceed its

target of making FFr10bn

(\$1.8bn) in disposals in 1996

and 1997, having got more

than over half way there -

with divestitures of FFr6.8bn

in the year recently ended.

This helped to bring gear-

ing down to 61 per cent at

the end of 1996, against 72

per cent a year earlier. The

company said it aimed to

reduce this further to less

than 50 per cent by the end

The group's income

advance was achieved on net

sales which edged up 3 per

cent from FFr83.3bn to

FFr85.8bn. Earnings per

share climbed nearly 26 per

cent from FFr6.71 to FFr8.44. chemicals operations - at A dividend of FFr5.25 a mal and plant health (20 per

share - an increase of 16.7

term. "We have no intention per cent - is to be proposed. mers (15 per cent).

of this year.

Mr Fourtou also predicted

dragged down when it allocated "almost 50 per cent". It was cut by 1995 restructuring effort, was negligible last year.

One encouraging eign for the future was a significant increase in business volume, due to an improved economic climate and strong marketing efforts by the banking group. BCH has also overhauled its industrial portfolio, which is now concentrated in higher growth areas.

The increase in the group's operating profit was helped by a rise in fee tocome of 16.3 per cent. BCH said it had been very active in services that generate commission. including account management

Like other Spanish banks, BCH reported considerable growth in mutual funds and pension funds, which grew by 86 per cent and 63

per cent, respectively.

Total funds managed by the group were more than Ptal,000bn at the end of 1996.

Income from BCH's industrials assets improved by 12.5 per cent last year. Rising stock markets amply compensated for a reduction. in the group's industrial portfolio, from Pta212bn in Decembe Pta182bn in December 1996.

It has sold food and construction interests to concentrate on energy and telecommunications.

EUROPEAN NEWS DIGEST

Autoliv results above forecasts

Autoliv, the Swedish automotive components company, posted full-year profits after financial items up 13.4 per cent from SKr1.1hn to SKr1.14hn (\$156m) on sales up 12.9 per cent from SKr10.3bn to SKr11.63bn. Net profits rosefrom SKr649m to SKr760m, while earnings per share rose per cent from SKr11.80 to SKr13.82. The board proposed a dividend up 17 per cent from SKr2.25 to SKr2.75. The

results were above expectations. Autoliv said operating margins rose to 9.4 per cent from 9 per cent. The stronger krona's negative effect on sales was offset by a positive effect from divestments. Prices had continued to fall. Sales of air bags increased from SKr4.9bn to SKr5.5bn, those of safety belts from SKr5.3bn

De Benedetti moves out

Mr Carlo De Benedetti confirmed his disengagement from Olivetti with the announcement that his stake in the troubled Italian information technology company had now dropped to 9.3 per cent. Cir, Mr De Benedetti's industrial holding company, said its stake had fallen from 14.5 per cent at the end of last June to 12.8 per cent at the end of December. It had since sold additional shares this month to bring its stake below 10 per cent. Mr De Benedetti originally held 20 per cent of Olivetti but the stake was diluted to 15 per cent at the beginning of last year following Olivetti's L2,200hn (\$1.4hn) capital increase. Although Cir subscribed L300bn, it did not take up its full entitlement at the time.

Cir is now expected to dispose of its remaining 9.3 percent stake, which at Olivetti's current share price should raise about L200hn. With the restructuring and disposals of his various holdings, Mr De Benedetti is widely believed to be preparing a come back after his troubles at-Olivetti last year. "It is in the nature of the man not to sit still," said e banker familiar with Mr De Benedetti. "He was hit badly last year but he has been building up funds Paul Betts, Milan

Mol sale strategy on track

There would be no changes in the privatisation strategy, of Mol, the Hungarian oil and gas company, the state privatisation agency, APV, stated yesterday, citing agreement in talks between the privatisation and industry ministers on January 22. The announcement followed recent press reports in Hungary that US-based El Paso Energy had made an offer for the 33 per cent stake in Mol held by APV which is due to be sold in two IPOs, the first probably in the first half of the year.

. -

Friday,

SCA posts sharp decline | Fiat looks to state for

SCA, the Swedish pulp and paper gronp, yeeterday reported a 38 per cent fall in pre-tax profits for last year and warned that pulp prices the main determinant of industry health - might fall. Mr Sverker Martin-Lof,

SCA chief executive, confirmed analysts' fears that the sector is unlikely to see a robust recovery in the near

"The judgment wa make now is that the sluggishness will continue for pulp and recycled paper. The price trend is down rather than up." he said.

SCA's pre-tax profits fell from SKr5.7bn to SKr3.6bn (\$495m). This was in line SCA's most-traded B shares ended the dey unchanged at SKr143.

However, the company said fourth-quarter earnings were SKr1.3bn compared

quarter.

Profits had stabilised in packaging and sawn timber, while operating profits in graphic paper increased. Group sales slipped from SKr65.3bn to SKr55.4bn, SCA attributed more than half of the fall to a strengthening of the Swedish krona.

Mr Martin-Löf said SCA planned to implement price rises for liner, a key packaging grade, and lightweight coeted paper (LWC), an important magazine paper

However, the company stressed recovery would proceed "from a low level and at a slow pace", given wide-spread uncertainty over the cled paper.

of weakness in pulp and paper was cushioned by continued strong performance from SCA's hygiene products

division. Operating profits rose SKr4.75 to SKr5.25.

in spite of a slight drop in sales from SKr24.5bn to

SKr24.1hn. SCA said operating profits doubled in fluff products and by more than 60 per cent in tissue production, while volumes improved by 11-12 per cent in incontinence and feminine hygiene products.

The group was also helped by the disposal of its unprofitable Peandouce nappy brand in France to Kimber ly-Clark, of the US. Operating profits in packaging fell from SKr2.4bn to

SKr939m on turnover down SKr17.6bn SKr13.7bn. The deterioration was even more marked in outlook for pulp and recy- graphic paper, where operat-

ing profits declined from slip in sales from SKr18.2bn Earnings per share fell from SKr5.73 to SKr3.57, but

the dividend was raised from

and warns on pulp prices orders boost in Italy

Fiat, Italy's largest private group, yesterday reported a slight increase in pre-tax profits last year. However, this was the

result of special gains of around L1,400bn (\$866m) from asset sales. Mr Cesare Romiti, chairman, said in his letter to shareholders that he expec-

ted 1996 pre-tax profits to total L3,500bn, compared with L3,404bn in 1995. The figures reflected the gains from the flotation of a 31 per cent stake of the group's New Holland farm machinery subsidiary, and the sale of its Prime fund

management company.

These offset a decline in the group's profit margins. First faced a difficult y in its domestic market with its Italian car sales falling by 2.1 per cent.

The group expects the situation to improve significantly this year, thanks to an increase in group cash Lex. Page 20

the government'e recant flow last year from L7.608hm incentives to support the domestic market. Fiat's new car orders in

Italy this mouth have shot up by a spectacular 40 per cent in response to tha incentives. Fierce competition and price wars in many of its

motor vehicle markets, combined with the revaluation of the lira, caused a sharp decline in operating profits from L3,325bn in 1995 to L1,800bn last year.

However, group sales rose par cent to around L78.000bn last year. These figures were in line

with market expectations. Tha company estimated that the impact of the stronger lira amounted to between L1,000bn and

on sales dropped to 2.3 per group would pursue its intercent from 4.4 per ceot the national expansion, espeyear before.

The figures also showed Asia.

to L8,200bn; and a reduction in net debt from L2,597bn to

Fiat sold 2.28m cars last year, which was 2.4 per cent more than in 1995. This was in spite of the drop in the Italian market. The rise in car sales

reflected etrong export growth in other European markets and strong performance in Brazil.

Turnover in the car division rose by 3.2 per cent to over L42,500bn.

Sales of the Iveco commercial vehicles subsidiary fell from L11,130bn to L10,900bn last year. However, those of the New Holland farm machinery group rose to L8,566bn from L8,150bn.

Although 1997 will be Its overall profit margin Flat, Mr Romiti said the cially in Latin America and

£120,000,000 20 Year Facility The Harlequin Centre; Watford Arranged by EUROHYPO 🗵 Funds provided by Aligemeine Hypothekenbank AG

Deutsche Hypothekenbank Frankfurt AG

Europäische Hypothekenbank S.A.

Saint-Gobain profits static as debt rises

Saint-Gobain, the French glass and building materials group, yesterday reported static 1996 net profits of FFr4.3bn (\$776m), after a year marked by acquisitions and a consequent near fourfold increase in net debt.

Earnings per share slipped from FFr50.40 to FFr50. Turnover was ahead almost 30 per cent, from FFr70.3bn to FFr91.35bn. Operating margins dipped from 11.1 per cent to 10.3 per

cent
The group said the figures
demonstrated its solidity in a "mediocre European business environment", which is particularly poor for the building sector.

Mr Jean-Louis Beffa, chairman, said the result bad been achieved in spite of restructuring costs that had reached about FFribo nearly double the previous year's levels.

He also said the group had eecured productivity improvements of "about 5

per cent".

Net debt climbed from
FFr3.94bn in 1995 to
FFr15.1bn. That lifted the company's gearing to about 30 per cent, which in turn triggered a sharp increase in net financing costs from FFr593m to FFr1.43bn.

Commenting on why the group had decided to take on more debt at a time when many large French companies were trying to offload it, Mr Beffa said he thought the company had previously not had quite enough debt.

sented good opportunities, he said. Moreover, interest rates were also reasonably

ecquieitions rose from FFr3.9bn in 1995 to FFr12.2bn.

The most significant purchase was Poliet, the build-ing materials and home products business. Saint-Gobain took control in a transaction valuing Poliet at

around FFr15.5bn. Mr Beffe predicted that both net profits and cash flow in 1997 would show "marked progress". In 1996, cash flow exceeded FFr10bn for the first time.

The company said that, comparing like with like, turnover advanced a comparatively modest 2.1 per The geographic spread of

sales was 35 per cent in France, 32 per cent rest of Europe and 33 per cent Americas and Asia.

Industriel investments increased from FFr5.6bn to FFr7.7bn, equivalent to 72 per cent of cash flow. The company said the increase reflected its determination to intensify its developments efforts and modernise its equipment.

The results were released the Paris stock market.

The company's shares, nevertheless, closed ahead FFr38, or 4.7 per cent, at FFr850, because of strong figures from Poliet releas

BMW plans new models

BMW, the German carmaker, said it planned to launch at least two new models a year in the next few years, after announcing record group sales for 1996. The new models would not be unveiled for some time, however. Group sales climbed 13.3 per cent from DM46.1bn to a record DM52.3bn (\$31.8bn) in 1996, buoyed by strong demand for the new 5-series and favourable currency effects.

The Munich-based group, which includes Rover of the UK, forecast stable sales for BMW brand cars this year. after reporting a 13.4 per cent increase to DM32.4bn in 1996. Stronger-than-expected demand for its new Z3 roadster also contributed to last year's sales growth... Group unit sales rose 7 per cent to 1.15m units, with Rover lifting sales from 483,089 units to 507,254 units. Overall car production rose 4.1 per cent to 1.14m units. The figures beat market expectations but the shares closed 2.2 per cent higher at DM222.8. Sarah Althaus Frankfurt

Tele Danmark protest

About half the 16.400 employees of Tele Danmark, the state-controlled telecoms operator, stopped work vesterday in protest against Wednesday's announcement by the executive board that about 2,500 employees would be dismissed in 1998. Tele Danmark's B shares closed at DKr366 in Copenagen yesterday, up DKr13.

AEX allows Begemann listing

Amsterdam Exchanges (AEX), the newly merged Dutch stock and options market organisation, is to allow the Begemann industrial group a listing for a new class of stock which will provide its shareholders with any proceeds from a Fl 1.2bn (\$650m) legal cuit filed by the company against the government and the stock exchange itself. Begemann launched the case seeking damages after the conviction on insider trading charges of Mr Joep van den Nieuwenhuyzen, its chairman at the time, was overturned last year on appeal.

The AEX said yesterday it had determined there were no immediate obstacles to accepting "this unusual sort of equity." It had initially refused the listing application for B shares in Begemann because of possible confusion wift its ordinary stock and because no new capital was being attracted. Holders are to receive one B share free for every share in the company they own, following approval of the plan yesterday at an extraordinary general meeting. The intention is to make trading in the ordinary stock less subject to volatility from future legal rulings.

Gordon Cramb, Amsterdam

Bosch sales climb 15%

Robert Bosch, the German automotive and electronics group, said sales last year climbed 15 per cent from DM35.8bn to DM41.2bn (\$25bn) in 1996 on the back of recent acquisitions. Excluding acquisitions – among them its \$1.5bn purchase of the antomotive brakes business of AlliedSignal of the US - turnover rose 5 per cent to DM37.6bn. For the current year, sales were expected to increase about 7.4 per cent. Operating profits in 1996 were once again "unsatisfactory" at just below the previous

Polish toll road upgrade

The ABiEA, Poland's official toll motorway regulatory body has recommended to the government that Stalesport, a Warsaw Stock Exchange listed steel company, be granted the right to upgrade an existing 61km bighway between Krakow and Katowice and levy tolls on the stretch.

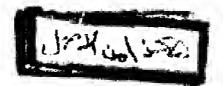
tolls on the stretch.

The ABIEA is also expected next week to assign the rights to build and operate a new 364km motorway linking the country's western frontier with Poznar and Lodz in central Poland. The two bidders for the project worth at least \$1.5bn are Bilfinger & Berger, the German-construction group backed by Dragados, a Spanish rough builder, and a Polish consortium led by Riestran sandoe WSE listed company. This week's decisions are all the strength of the streng WSE listed company. This week's decision Poland's ambitious 20 year motor way prodenvisages the construction of 2,600 km of production of 2,600 km Christopher Bobinski, Warsaw

CORRECTION

GE Capital

GE Capital states that contrary to a repo Financial Times of January 14, it did not to purchase Telemation, the German new



Strategic solutions for our clients worldwide.

	1996 Selected Transactions									
Aan	uses Capital Corporation US \$1.650 billinn Mortgage Trust A, B, C, D uses Financial Corporation US \$388.165 million omnon Stock, Convertible Debratures due 2006 Senior Notes due 2001	Bell Cablemedia plc Offer for Videotron Holdings Plc Jent Johnser, point US drafer manager and	MFS Communications US 514.4 billion Merger with WorldCom Inc.	Newport News Shipbuilding US \$1.2 billinn Spln-off from Teanceo Inc	PT Sierad Produce Tbk US \$100 millinn Ionial public offering	Deutsebe Telekom AG 690 million shares Largest European privatisation	The Government of Israel on behalf of The State of Israel FFr 1.1 billion Term loan facility	Humber Power £770 million Non-recourse project finance Octility £450 millinn Project lease facilities 1260 MW gas-fired power station		
	os ember, October, September, June, March, Johnnary 1996	arranger for bridge Inancing Discrember 1996	, Johns F Verder FINA	lib tici Lis repiber 1996	kurranomalpla mpagoni I Axerulay 1996.	Co. I. ad macagor on UE tranche Newmber 1996	November 1996	Arranger and lever November 1996		
	astituto de Crédito Oficial ESP 20 billion Caffable bond due 2001	Ministry of Defence £1.66 billinn Sale of the Married Quarters Estate this her Non mber 1986	Pubmaster Limited £171.3 million Acquisition from Brent Walker Group plc f beginned and arranged, reptice to led and under writen by Nat West tenture Nationals 1946.	Scottish Power plc US 51.5 billinn Euro-commercial paper programme Anager Notendar, behaut: 1995	Shanghai Diesel Engine Company Limited US 534 million International placing of 85 million B shares International operations International operations International operatio	U.S. Eximbank/Rayout Cement Company US \$25.3 million Finalised Eximbank direct credit to support of the supply and construction of a cement plant L · C Sus	Concord Land Development Company Limited US \$130 million Initial public offering Lead manager and bookrunter Occuber 1496	EN1 S.p.A. Global offering of 1.1 follion shares International 10-feed manager (2)-tobey 1996		
	alth and Retirement Properties Trust 11S \$240 million Convertible subordinated debentures	R.O.S.E. Fuoding USS5 billinn Asset-backed floating rate notes due 2001 Bookrimmer	The British Land Company PLC £! 14 millinn Securitisation of 135 Bishopsgate	Commonwealth Aluminium US \$4.25 million Senior secured credit facilities Arranged, seru-tured and under pote the tacilities	Gbana Cocoa Board US 5275 million Receivables-backed trade finance facility Pre-export finance of cocoa harvest for 1996-97 harvest in Ghann Co-arranger beptembyr 1996	The Dial Corp US \$2.8 billion Corporate reserveturing and spin-off of its consumer products business Author Jugus 1996	Geoeral Cable PLC £120 million International offering of ardinary shares Junt plobal bevirtunaer, advisor and broker August 1996	Hansoo PLC £4.5 billing Demerger financing Mathematical Stranger August 1996		
	S Communications US \$2 billinn Acquisition of UNET Technologies, Inc.	Monument Oil & Gas plc Corporate restructuring and return of capital to shareholders	Orange Global affering of 325 million shares £250 million Hedging facilities	Somerfield plc £435 million Intial public offering	Commoowealth of Australia AS4.1 billion Global offering of 199,1 million ordinary shares in the Commonwealth Bank of Australia	Daewoo UK US \$145 million Note purchase agreement Notes distributed via the forfaiting market to finance a joint venture in Poland	Koninklijke Ahold N.V. 36 million Common shares	National Power plc £300 million 8.375% Bonds due 2006		
	Adviser August 1996	Anhier and broker Angust 1996	IIIS, and European co-level manager and arranger August, March, February, January 1996.	Ander Angels 1996	lafi lade fota tendamenta	Juint arranger, troderer riter and wie Agent July 1976	Scotor co-lead manager July 1996	join kad manager Juh 1996		
	Telewest parmunications plc £1.2 billion Senior secured facility	The Boots Company PLC £300 million Stare buyback	CADES (Caise d'Amortissement de la Dette Sociale) FFr 60 billion Resolving credit facility	Leod Lease Corporation A\$365 million Global offering of Westpac Backing Corporation warrants and ordinary shares Warrant Issuer, guaranter and	PPL Therapeutics plc £35 million Initial public offering	Sol Melia, S.A	Sun Life and Provincial Holdings Plc Global offering of 224 million shares	Turbogás - Prodotora Energética, S.A. DM679 millinn & Pte 50.9 billion Senior credit and guarantee facilisies for the 990MW Tapada do Outeiro Power Station in Portugal		
<u> </u>	joine arranger July 1996	June 1994	John attätger Juse 1446	point le ad manager June 1996	Broker June 1996	Ce-level manager June 1996	Senius en-lead taxasper . June 1996	Arranget and co-ordinator juste 1996		
	Westpac A\$570 million Share buyback of 576 of capital	WorldTel Limited Private placement of ordinary shares	Commercial Union plc £200 million 9.5% Guaranteed Bonds doc 2016	Foreign & Colonial Acquisition of ESN Pension Management Group with 115 billion of assets under management	Kommuninvest ESP 10 billinn 8.65% Notes due 2001	The Maiden Group plc 121 million Initial public offering	Nat West Bancorp US \$446.1 million Sale of leveraged lease portfolio of Nat West Leasing Corporation	United News & Media and MAI £3.3 billinn Merger creating a leading British based media group		
	Advisor to Westpar and joint broker to the burback jone 1996	Advisor and global coordinator to the hund rawing June 1996	Just bokruser Mar 1996	Adster= 34p 1996	Joint & ad arranger and bonkrunner May 1996	Broker May 1996	Arranged and rescused	Ach Is-y-** Mar 1996		
.,	Cable Corporation reject & lesse financing £160 million recourse project financing bote arranger £92 million	Millennium & Copthorne Hotels plc £180 million	NatWest Group £472 million Recommended offer for Gartmore PLC	Premier Farnell plc US \$2.8 billion Acquisition of Premier Iodustrial Corporation	Rentokil £2.1 billion Offer for BET PLC	RJR Nabisco US \$9 billion Successful defence against a proxy solicitation	BTR plc £330 million Sale of Dunlop Slazenger to CINVen	Dunlop Slazenger Group Limited £371.5 million MB1/MBO Senior debt and working capital facilities		
	Legae facilities Sole lesser April 1996	Broker and planng agent April 1 ⁴⁹ 6	Adviser April 1996	provider at debt, equity and briging factions April 19%	Primary tradernytter April 1996	Advace April 1996	Advisor* March 1996	Arranger and underwriter March 1996		
	Zincocelere Lit. 127 billion Management buy-out Co-led and arranged by NatWest Ventures	Bank West A\$437.7 million Initial public offering of 213.5 million ordinary shares by Bank of Scotland	Dixons Group plc £100 millioo 7.75% Guaranteed Bonds due 2001	Energy Africa Combined offering of 30.5 million ordinary shares	Pendeford Mortgages No. J plc £1 billion Mortgage backed floating rate notes due 2017	Cable & Wireless Public Limited Company £200 millinn 8.75% Boods due 2012	Hyder plc formerly Weish Water PLC £870 million Recommended offer for South Water Electricity plc	Israel Electric Corporation US \$49.8 million Mandated Eximbank guaranteed loan to finance the purchase of GE gas turbines		
Ce	Sentor Debt parranged by Nat West Markets March 1996	Juint lend taasuger February 1996	Sole lest numager February 1906	Co-lead manager February 19 ⁹ b	Bookranner Sehrmary 1996	Brokrunser Jamary 1996	Advisor January 1996	Arratiger/lender January 1996		

NatWest Markets is committed to providing strategic solutions for our clients. Our integrated approach combines global M&A, equity and debt financing and advisory expertise with in-depth industry knowledge and independently recognised excellence in research.



NATWEST MARKETS

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AT JANUARY 31 1997

Car sales up to ATTEMO. Net profits me pe share me Mass The board proposed; WE negative enough on sale the distance of the of the balls in reased from menty beits from Single

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Adaptate of the remaining 93 per the real and disposals De Benedett: is widely a country back, offer its croubles a The Martin - 1 - - - 22 not to 5 with Mr Dy Benedem He he has been outling up find : pource part Betts. Min.

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was in the next few years, in season and the test for the motion of the few forms THE TOND PALABITAN TO A PERCH the property of the me demand for Martin Malan der ale, Kener dela maked despite the track of

ark protest

By John Authors in New York

Chase Capital Partners, the investment banking arm of Chase Manhattan Bank, is in discussions with a view to forming a joint venture with tbe privately beld Infisa group, of Chile, to invest in the financial services sector throughout Latin America.

Mr John Anderson, a New customers in the region. York spokesman for the hank said the two companies were "finalising an agreemeot" yesterday. Chase was not prepared to comment oo the likely scale of the deal.

Mr Anderson stressed that the project did not involve the Chase Manhattan Bank region, and bas recently itself, and would not embarked on a policy of create competition with its existing wholesale banking market corporate customers

Cbaae already has

operations throughout Latin America, while Wall Street bas reacted favourably to expansion in the region by other US commercial banks. Citicorp, the second-largest US bank after Chase, has

chieved in the US market. the biggest presence in the Infisa has extensive interests in Latin America It hought a 93 per cent share in Banco Consolidado, the aggressively adding middlefourth-largest Venezuelan

in an attempt to sustain its bank, for \$143.5m in December, and owns a stake in Chi-BankBoston, the 12th-largle's Banco Concepcion. It est US bank, bas the second-

also bas an interest in a There has been a wave of recent sales of leading Venezuelan banks to foreign financial institutions.

In December, Banco Santander, the Spanish bank. bought a 90 per cent stake in Banco de Venezuela, the country's aecond-largest \$11bn in state bail-outs.

bank. In the same month, Spain's Banco de Bilbao de Vizcaya began negotiations to buy 40 per cent of Banco Provincial, Venezuela's largest bank

Taken together, the sales are expected to lead to a npgrading of Venezuela's banking sector, still fragile from a 1994-95 banking crisis that absorbed an estimated

a rival bank suggests the

true figure is 16. Many of

these valuation techniques

"On an asset basis Russian

companies always look

incredibly cheap. On a pro-

duction basis they still look

quite cheap. On a price to

sales basis they begin to

look like they might be

priced about right. But on a

p/e basis, taking account of

corrected earnings, they all look blatheringly expen-

But just because investors

are largely buying blind does

not mean they are necessar-

ily wrong. Russia's economy

may have turned and compa-

nies have enormous scope to

lift profits. The stock mar-

ket's general direction may

well be right, even if the pre-

cise callbration of its

short-term movements is

investment officer for For-

eign & Colonial's emerging

market funds, says the

illiquidity of underdeveloped

markets means big price

movements are often exag-

gerated but not always

"If the UK or French stock

market surged by 30 per cent

I would take profits. But in

Russla 1 am investing on a

Mr Arnab Banerji, chief

uncheckable.

sive," Mr Nail says.

also contradict each other.

Chase arm in talks on Latin America move Large forex deals offered on Internet

By Clay Harris and

A Swiss-based enterprise is using the Internet to solicit buyers for large sums of correncies that are freely traded on foreign exchange markets. The activity puzzles currency experts, who won-der wby specific deals are being advertised.

Zimmermann & Partner, a business consultancy, is also offering investments in "prime bank guarantees" which it says provide annual returns of up to 600 per cent. In messages posted on the

Intsrnet, Zimmsrmann describes prime bank guarantees as "very secure" investments. One promises an annual return of 200 to 400 per cent for a minimum investment of \$10m; another says an investment of \$1m to \$100m would bring a return of 200 to 600 per cent. Regulators including the

Bank of England bave issued warnings in recent years about the use of prime bank guarantees in advance fee fraud. The instruments purport to be backed by banks. The Bank said this week: Almost without a doubt, there are not any legitimate prime bank guarantees."

Mr Fritz Zimmermann said yesterday: "We are familiar with the arguments of the banks. But we believe the programme we offer can be carried through." grounds of discretion, he said, be would not name any of the banks involved.

One reader of an internet news group bas alerted the US Securities and Exchange Commission to his offer. In the case of foreign I couldn't say."

exchange. Zimmermann last week responded to an e-mail inquiry with a fax which said it had been contacted by potential purchasers of HK\$700m and HK\$100m wbo wanted to exchange US dollars. It also said it had

exchange of DM100m into dollars and had a request for purchasing yen for \$500m.

A participant in sucb a deal, if genuine, might have difficulty in determining that he or sbs was not an unwitting accessory to laundering or other illegal activity. Fraud is more of a dangsr outside conventional banking channels.

Mr Zimmermann said: "We run our company only as a middleman between the clients and the participating banks. The money must conclusively be 'clear, clean and not criminal'. Clients receive the detailed clearing procedure only after the details have been checked."

Mr Zimmermann's enterprise is a limited partnership registered in 1993 in Laax m Graubunden canton.

Mr Peter Cruddas, managing director of Currency Management Corporation in London, which offers the ability to place orders via the Internet, said someone wanting to exchange sucb large sums could use the interbank market, wbere typically no commission

would be charged. He said: "I bave been offered such deals [from other sources] which turned out to be fictitious trades and a scam to raise small amounts of money through a finder's fee or something

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Mr Chris Dunne, director of Forexia a London based currency forecaster, said; "Almost by definition, the people who enter these transactions are looking for something the interbank market can't offer, but what,

Zimmermann's fax mentioned a potential seller of 500m Iraqi dinars, not affected by the UN embargo, in return for dollars or D-Marks.

Mr Dunne said requests were less unusual for non-

Analysts grapple with Russian valuations

market share.

largest US interest In the

region, which Wall Street

analysts believe offers stron-

ger growth than can bs

Moscow Times Index

With few companies producing western-style accounts, alternative methodologies are called for

experienced specu-lative frenzies, be it the explosion of tulip bulb prices in seventeenth century Holland or Florida real estate in the 1920s.

Observers of the Russian stock market may wonder if tbey are not watching a similar phenomenon.

Having driven the market 155 per cent higher in US dollar terms last year, fund managers have bid up prices almost 50 per cent this month, brushing aside fears about President Boris Yeltsin's health.

The mood is frenetic and mucb of the buying indiscriminate. One stockbroker recalls overbearing a fund manager screaming down the telephone; "What the bell do you mean there's no sucb Russian company -I've just bought \$40m of it!"

Mr Mark Mobius, president of Templeton Emerging Markets Fund, describes the rise as a "liquidity surge", Foreign Investors bave increased their asset allocations for Russia, anticipating its inclusion in the benchmark IFC emerging market index. Domestic banks have been buying as yields on government debt have

plummeted. "People may argue they are buying cheap assets, but st the end of the day it is earnings which drive prices. If you cannot see what those

sbarebolder rights, then you risk bnying a pig in the poke," Mr Mobius says. "You are just creating conditions for people to gamble."

To date, only a handful of Russia's 110.000 companies produce accounts that would

One stockbroker recalls overhearing a fund manager screaming down

the telephone: 'What the hell do you mean there's no such Russian company - I've just bought \$40m of it!"

survive the scrutiny of a diligent investor; almost none make dividend pay-outs on ordinary shares, That makes valuing Russian companies extremely difficult, beightening the dangers of speculative bubbles.

However, some analysts have invented alternative valuation methodologies to assess a company's wortb. One of the earliest was to compare crude asset prices in Russia and abroad. So, for earnings are and the com- example, the implied value output but bleeding cash,

> **REYNOTE U.S. FLOATING LIMITED** NOTICE OF A MEETING TO THE NOTEHOLDERS OF

KEYNOTE U.S. FLOATING LIMITED

U.S.\$80,000,000 Collateralised Enhanced Yield Floating Rate Notes due 2004

EXTRAORDINARY RESOLUTION

"THAT this Meeting of the holders (the "Noteholders") of the U.S. \$80,000,000 Collateralised Enhanced Yield Floating Rate Notes due 2004 of Keynote U.S. Floating Limited (the "Notes" and the "Issuer" respectively) hereby: (1) approves the modification of the Terms and Conditions of the Notes, as printed on the reverse thereof and in Schedule 4 to the Trust Deed, by the deletion of the words "the Interest Payment Date which falls in March 2004" in the meaning ascribed to the words "Maturity Date" in the Conditions, and the substitution therefor of either the words "the Interest Payment Date which falls in March 1997" or the words "17 March 1997", depending on whichever date is the first to occur subsequent to this resolution being approved; and (2) outhorises and requests the Trustee to give effect to the modification referred to in paragraph (1) of this Resolution by executing a Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purpose of identification signed by the Chairman thereof with such amendments (if any) thereto as the Trustee shall require."

The hardcommand to and the energous for the Extraordinana Resolution are contained in an explanatory.

Trustee shall require."

The background to and the reasons for the Edmandinary Resolution are contained in an explanatory memorandum (the "Explanatory Memorandum") dated 31 January 1997 prepared by, amongst others, the Issuer, copies of which will be sent to Noteholders free of charge upon request. To obtain copies of these documents, Noteholders should contact the Issuer or one of the Poyring Agents at its specified office.

The attention of Noteholders is particularly drawn to the quarum required for the Meeting set out in paragraph (b) of "Voting and Quarum" below. Noteholders are strongly urged to take steps as soon as possible to be represented at the Meeting, as explained below.

In accordance with parmal practice the Trustee expresses no anxiety on the merits of the presented.

to be seried in the meeting, as explained boots.

In accordance with normal practice, the Trustee expresses na apinion on the merits of the proposed modifications to the Trust Deed and the Conditions but the Trustee has authorised it to be stated that on the basis of the information contained in this Notice and in the Explanatory Memorandum it has na objection to the Extraordinary Resolution being submitted to the meeting of Noteholders for its consideration.

VOTING AND QUORUM

VOTING AND QUORUM

(a) The Notes are in permanent global form and are held on behalf of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and Cadel Bank, societé ananyme ("Cedel Bank") for the benefit of the Noteholders. For these purposes the Noteholders are those persons who are for the time being shown in the records of Euroclear or Cedel Bank as the holder of Notes. A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting (a) valid voting certificate(s), issued by the Poying Agent relating to the Note(s) in respect of which he wishes to vote. A Noteholder not wishing to oftend and vote at the Meeting in person may either deliver his voting certificate to the person whom he wishes to attend on his behalf or give a voting instruction to a Poying Agent (on a voting instruction form obtainable from the specified office of any Poying Agent) instruction such Poying Agent to appoint a proxy to attend and vote at the meeting in accordance with the Block Voting Instruction to be issued by such Poying Agent. The Block Voting instruction shall be deposited at the offices of the Principal Poying Agent.

Notes may be held to the order of or under the control of a Poying Agent (to its satisfaction) by Cedel Bank or Euroclear for the purposes of obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting) or giving voting instructions in respect of the Meeting. Notes so held will not be released until the earlier of the condusion of the Meeting (or, if applicable, any adjournment of such Meeting) in instruction receipt(s) issued in respect thereof.

issued in respect thereot.

(b) The quorum required at the Meeting is at least two persons present in person holding voting certificates or being Proxies and who together represent not less than three-quarters in principal amount of the Notes for the time being outstanding.

If within 1.5 minutes from the time fixed for the Meeting a quorum is not present, the Meeting will be adjourned (unless the Issuer and the Trustee agree that it be dissolved) for such period, not being less than 1.4 days nor more than 42 days, as may be appointed by the Chairman. At such adjourned Meeting two or more persons present in person holding voting certificates or being process representing in the aggregate not less than one hold in principal amount of the Notes for the time being autstanding shall form a quorum.

ies a name one near an principal amount of the Notes for the interest being outstanding strate form a quorum.

If to be passed, the Eutraordinary Resolution requires the affilmative vote of not less than three-quarters of the persons voting thereon on a show of hands or, if a poll is duly demanded, the affirmative vote of not less than three-quarters of the votes cost thereon. On a show of hands every person who is present in person and produces a Voting Certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of U.S.\$T,000 in aggregate principal amount of the outstanding Notes of the person will be binding on all Noteshalders (whether or not present or represented at the Meeting and whether or not voting) and upon all Couponholders.

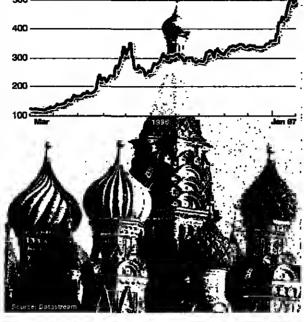
arkets have often pany is not adbering to of a barrel of oil in the ground in Siberia would be compared with one in Texas by dividing an oil company's market value by its proven

> "The result was a slew of dramatic-looking broker reports telling investors that Russian companies were undervalued by 99 per cent or in the expensive sectors by 98 per cent," says Mr James Nail, head of research at Deutsche Morgan Grenfell's Moscow office.

The flaw in this methodology was it could not predict wben Russian assets would be revalued ignoring the cost of money. At a time when vields on Russian Treasurybills were above 300 per cent year, that was a glaring deficiency, Mr Nail says. Analysts then started valuing companies by what they were producing today rather than guessing wbat tbey might produce

Comparisons were made between an electricity generator's market value per kilowatt of output in Moscow and in Berlin, for instance. The problem bere is that a

company's earnings are not always linked to output. Some prices are still subsidised. non-payments between companies are rife. and even big enterprises receive much of their income in bartered goods, Enterprises could be increasing



Analysts therefore turned to market capitalisation-toturnover valuations. But Russian companies use casbbased accounts rather than the accruals method used in the west, That means sales are only booked when a com-

ing comparative sales figures look extremely erratic. That prompted the most diligent analysts to reconstruct a company's accounts on an internationally-recog-

pany receives the cash, mak-

annual output and guessing the market price of its goods, they made an attempt to

Unpicking stated tax accounts and adding back unrecognised factors such as depreciation charges, they then estimated earnings and cash flow.

But even for the most transparent companies, such estimates vary wildly. One investment bank bas calculated Mosenergo, Moscow's nisable basis. Taking its electricity utility, stands on

Analysts said that any further sales

were likely to be of smaller busi-

nesses. "We will continue to man-

age the portfolio of businesses

The company's net income for the

Sales of \$20.1bn for the year were

just short of the previous year's

record of \$20.2bn. A 7 per cent gain

in volume largely offset an 8 per

administration and research and

development expenses by \$98m last

year, and has set a new goal to

further reduce structural costs by

Return on capital of more than 15

per cent remained bigher than the

target level of 3 per cent above the

cost of capital across the business

cycle. The cost of capital is cur-

\$500m by 2000, from a 1995 base.

The company reduced selling,

year of \$2.9bn was just slightly

actively," a spokeswoman said.

higher than the previous year.

cent price decline.

long-term horizon and betting on the success of economic reform," he says. John Thornhill recently concluded an convertible currencies.

Dow Chemical slips | Polish power plant in fourth quarter poised for flotation

By Christopher Bobinski

The Warsaw Stock Exchange looks The company indicated that it will set to see its first listing of a power to management at the Bedzio beat and power plant in the industrial district of Sllesia

The move would see employees at the plant receive 15 per cent of the equity and provide an example to the rest of the sector.

It comes as opponents of privatisation of the power utilities are preparing to fight a rearguard action in the Senate, parliament's second chamber, to stop a new energy law. This gives third-party access (TPA) to the national power grid and to pipelines for all locally incorporated energy suppliers, and opens the way to the privatisation of the sector.

The bid to remove the crucial TPA clause from the law looks likely to fail. The draft law has already gone through the Seim, the more important chamber. Bedzin last year became one of a

batch of companies in the power sector cbosen by the government as Dow Chemical "is on an earnings trail-blazers for privatisation, which is crucial if the sector is to raise the billions of dollars needed for modernisation. The others are power disin Silesia) and Poznan, as well as producer.

power producers in Wroclaw and Warsaw and the big lignite-fired PAK complex in central Poland. But Bedzin is edging ahead of the

others. It is being advised by the continue to consider asset sales. producer early next year, according capital markets unit at the Food Economy Bank (BGZ). The plant which reported a net profit of 4m ziotys (\$1.34m) on sales worth 70m zlotys last year, is to be audited by London-based Moore Stephens.

Bedzin, according to Mr Jacek Uminski, managing director, is looking to the flotation to produce new capital to finance plans to extend its beat supply network to new consumers and thus cut beavy pollution from small local boilers. . .

The company, which has spent the past three years installing pollution control filters, currently serves a community of about 90,000. Later, Bedzin plans to take over and modernise neighbouring beat and power plants. The integrated complex would serve a highly urbanised district of some 500,000 inhabitants as a private local supplier of electricity and beat.

The offer will be open to local and foreign investors, with foreign utilities as well as financial institutions welcome to bld, Mr Uminski said, But management at Bedzin appears determined to retain control of the Paul Raman, chemicals analyst at tribution companies in Gliwice (also process of building a strong local

> This announcement appears as a matter of record only.

NOTICE IS HEREBY GIVEN by Keynote U.S. Flooting Limited (the "Issuer") to the holders (the "Noteholders") of the US\$80,000,000 Collateralised Enhanced Yield Floating Rate Notes due 2004 (the "Notes") for the US\$80,000,000 Collateralised Enhanced Yield Floating Rate Notes due 2004 (the "Notes") that pursuant to the Terms and Conditions of the Notes and the provisions of the Trust Deed dated 2 March 1994 (the "Trust Deed") relating to the Notes (copies of which are available for inspection at the offices of the Issuer and the specified office of each Paying Agent set out below) a meeting of the Noteholders (the "Meeting") convened by the Issuer will be held at the offices of Clifford Chance, 200 Aldersgate Street, London ECIA 4U on 24 February 1997 at 3,00p.m. (Landon time) for the purpose of considering and, if thought fit, passing the following Resolution, which will be proposed as an Extraordinary Resolution. Unless otherwise specified, capitalised terms used in this Notice have the meanings given to them in the Trust Deed. enhanced by gains from selling of By Tracy Corrigan in New York non-strategic assets, including a Dow Chemical yesterday reported \$77m pre-tax gain for the sale of a net income from continning stake in Oasis Pipeline. operations of \$409m in the fourth

quarter, down from \$415m in the quarter of the previous year. Sales rose 7 per cent to \$4.9bn, as strong volume growth compensated for falling prices.

Earnings per share of \$1.69 were slightly above analysts' estimates of \$1.62 and up from \$1.63 in the same period of the previous year. How-ever, analysts said that 10 cents of

earnings came from asset disposals. Prices of Dow's products fell 3 per cent overall, with some key products, particularly caustic soda and polystyrene, weaker than in the previous year. However, polyethylene and vinyl chloride monomer (VCM)

experienced modest price rises. Dow's performance was also hit by bigber feedstock and energy costs. The combined impact of lower prices and higher costs was \$475m in the quarter, but operating income dropped just \$86m from fourth quar-

ter 1995, to \$577m. The price fall was partially offset rently around 10 per cent. by volume growing 10 per cent. This was largely the result of investments in overseas markets, including petrocbemicals in Latin

Fourtb-quarter earoings were

plateau in the early part of the year and could be hit by falling prices later in the year," cantioned Mr PaineWebber.

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> details please telephone, +44 171 873 3456

Wells Fargo & Company US\$200,000,000 Floating rate subordinated notes due 2000

In accordance with the provisions of the notes, notice is hereby given that for the interest period 31 January 1997 to 28 February 1997 the notes will carry an interest rate of 5.5625% per annum. Interest payable on the relevant interes payaose on the resevant interest payment date 28 February 1997 will amount to US\$43.26 per US\$10,000 note and US\$216.30 per US\$50,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan**

Investment Corporation Inc. The Annual Report and Audited Accreants to 31st July, 1996 are now available from the registered office of the company at PO Box 309, Grand Cayman, Cayman, Islands, British West Indies, from Robert Fleming & Co. Limited, 25 Copuball Avenue, Losdon EC2R 7DR, and from Morgan Guaranty Trust Company of New York, Avenue des Arts, B-1040, Brussels, Belgium.

Munksjö AB

DM 240,000,000 **Revolving Credit Facility**

Arrangers LB . KIEL WESTLB

Lead Managers

CHRISTIANIA BANK OG KREDITKASSE ASA LB • KIEL - WESTLB GROUP NORDBANKEN AB (PUBL) SKANDINAVISKA ENSKILDA BANKEN AB (PUBL) SWEDBANK (SPARBANKEN SVERIGE AB (PUBL)) UNIBANK A/S

Agent

LB · KIEL, COPENHAGEN BRANCH

on the FT's European readership and to further target the French business world or information on rates and furth

Republic New York Deutschland Corporation

U.S.\$150,000,000
Putable Capital Notes
For the six month period lanuary 31, 1997 to July 31, 1997 the Notes will corry on interest rote of 5.9375%, per annum with an interest amount of U.S. \$298.52 per U.S.\$10,000 Note payable on July 31, 1997.

e Noteholders will be notified by publication in the Financial Times (or another leading English language trily newspaper published in London) and in the Luxeriburger Wort (or another daily newspaper published Luxeriburg approved by the Trustee) of the result of voting on the Extraordinary Resolution within 14 days such result being known, but may contact the Principal Paying Agent at any time following the conclusion of e Meeting for the purpose of ascertaining whether or not the Extraordinary Resolution was passed at the PRINCIPAL PAYING AGENT Citibank, N.A. 336 Strand London WC2R 1HB

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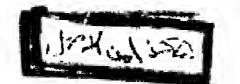
Registered Office of the Issuer P.O. Box 309, Grand Cayman Cayman Islands, British West Indies

This Notice is given by Keynote U.D. Frodung January Contact details for Eurodear and Cedel Bank are as follows:

Eurodean: Custody Operations Department (telephone: +322 224 1801/2865, telex: 61025 MGTEC B).

Cadel Bank: Securities Management – International Markets (telephone: +352 44 992 8065, telex: 2791).

CITIBANCO This Notice is given by Keynote U.S. Floating Limited and is dated 31 January 1997.



ANUARY 31 199;

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But Care

French buy for US insurance broker

AMERICAS NEWS DIGEST

broker. The move is significant for the US-based but which faces fierce competition from two key rivals planning to merge.

The group has acquired Compagnie Européene de Courtage d'Assurance et de Réassurances (Cecar), which

take full control of rival French brokerage Faugère & Jutheau - which last year reported revenues of FFr370m after first huying a one-third stake in 1973.

the coming months, and will gradually expand their activities to include the full range of services offered by the parent, including employee benefits, consulting and investment services. Cecar'a strength is its industrial business, while Fauge're specialises in aviation, space and

decline in rates. Many corporate clients now prefer to pay fees for consultancy work rather than pure broking. US-based Aon announced last month the purchase of Alexander and Alexander, prompting a wave of

insurance broking was "a less mature market" in Europe than in the US. He said that Marsh & McLennan had no plans to make further acquisitions in France, but instead would grow the husinesses internally. He stressed there were no plans to lay off existing staff, but rather to increase the number of employees in line with the growth of the husiness.

The company is also in talks with US property-casualty insurer St Paul Companies about buying lossmaking UK broker Minet, but Mr Smith admitted that Minet had "not been successful recently", and added that the purchase would take place only if the price was reasonable.

"We do not need it strategically in the UK." he said. The group's long-term strategy was to have revenues from different countries in proportion to the size of the national economies, and it was therefore considering expanding in south-east Asia and Japan.

services during the fourth quarter fell from \$475.1m to \$448.7m, but that total revenue increased from \$958.3m to \$1.05bn due to growth in its investment management and consulting businesse

Pre-tax income fell from \$137m to \$92.9m following exceptional costs of \$59.2m relating to UK property and the integration of insurance services operations. "We are optimistic about the growth prospects for our businesses

Andrew Jack, Paris and Christopher Adams, London

Inco spins off UK unit

up to US\$132m by spinning off Doncasters, its UK-based engineered products division, through a public share offering. Doncasters has offered 8m American Depositary Shares at \$16.50 each in simultaneous US and international offerings. Credit Suisse First Boston and Schroder Wertheim lead the US underwriting group, while CSFB and Schroders are managers of the international offering. -

Proceeds from an over-allotment option of 800,000 ADSs would go to Doncasters. The shares will be listed in New York, starting today.

business in 1778, produces precision components mainly for aircraft engines, and industrial gas and steam turbines. Sales totalled £82m (\$183m) in the first nine months of 1996. Net income climbed to £5.2m in the period, from £2.7m a year earlier.

Inco expects an after-tax gain from the sale of \$29m. It plans to use the proceeds mainly to help pay down debt incurred in last year's acquisition of a controlling stake in the big Voisey's Bay nickel, copper and cobalt deposit in Labrador. Inco has indicated it is open to offers for its other non-mining interests.

Stone-Consolidated stable

Newsprint producers are reporting the Canadian forest products industry's most stable results for 1996. Container and including the big Ellesmere Port mill in share, against \$183.5m, or \$2.59, on fewer shares outstanding in 1995. Sales were \$2.8bn, up from \$1.7bn.

The increase was mainly due to a US acquisition. prices, but declining inventories indicate some improvement this year, Stone said. Robert Gibbens, Montreal

Minerals, said yesterday the company was at an advanced stage of talks with its Indonesian partners on the Busang gold deposit and expected an agreement by next week.

Then wa will review the offer by Barrick. What terms Bre-X and Askatindo (Karya Mineral) come to will

Mr Walsh said there were two conditions Bre-X had made in its submission to the Indonesian government with Barrick, outlining their agreement to develop Busang jointly. Without the conditions being satisfied "the Bre-X-Barrick deal would be very tough to make it

Mr Norman Keevil, chief executive of Teck, tha Vancouver-based mining group, confirmed Teck had held talks with Bre-X, hut said that it would remain on the sidelines unless the Indonesian government opened

participants in the talks on Busang. Mr Keevil sald from Jakarta that "where it [Busang] stands now is not too clear to me, and probably not to anybody. The situation is very foggy out there. I can hear two fog-horns, hut I am

in rolling hills and rain forest in East Kalimantan

Mr Walsh also said Bre-X was in favour of providing Indonesian interests a bigger stake in Busang. have a stake greater than 20 per cent. This is being worked out now." he said.

COMPANIES AND FINANCE: THE AMERICAS

Marsh & McLennan, the world's biggest insurance broker, has paid \$200m to take control of France's second-largest

company, which has previously favoured organic growth

is expected to report gross revenues of FFr750m (\$135m) for 1996, and employs 900 staff in 13 countries. The purchase follows Marsb's decision five years ago to

Marsh plans to merge the two French busine

The insurance broking industry has been undergoing a period of rapid consolidation worldwide amid a steep

speculation about who will merge next. Mr Ian Smith, chairman of Marsb & McLennan, said

Marsh yesterday said that income from insurance

in 1997," said Mr Smith.

Inco, the Toronto-based nickel producer, expects to raise

Stone-Consolidated, the newsprint arm of Chicago's Stone the UK, posted net profit of C\$164.3m (US\$122m), or \$1.58 a

The fourth quarter was affected severely hy lower

Bre-X sees early deal on Busang

Mr David Walsh, chief executive of Canada's Bre-X

perhaps lead to Barrick making a revised offer," he said.

Busang to a bidding process.

Speculation abounds on the intentions of various not sure who they are."

Bre-X estimates there are at least 57m ounces of gold currently worth more than \$21bn in the Busang property province on Borneo Island.

"When all this is resolved, the Indonesian interests will Reuter, Jakaria

Phone groups benefit from surging demand

By Richard Waters in New York

companies have entered 1997 purposes. with earnings accelerating and profit margins growing. leaving them strongly placed take hold in their \$100hn market.

show that the companies per cent of the market. have mastered the art of sell-

vices to existing customers. surge in demand for new the fees paid hy set at artificially high levels out a plan for reforming

lines, as US homes add second, and increasingly third or fourth, lines for fax. Interlocal telaphone net access and other

The steady incursion of long-distance companies into their markets, however, is as deregulation begins to likely to weigh on their growth rates and profitability in the coming months. That is the message sent AT&T this week took its by the financial performance first step into local calling of local phone companies in with a service for small busithe final months of last year. nesses in California, and Recent earning reports aims eventually to grab 30

A more immediate impact ing new, higher-margin ser- on the companies' results is They are also enjoying a reform of access charges -

US local telecoms companies, 1996

	Hevenues		Net xac	Offie/(loss)	Line	
	Sbn	growth (%)	(Sm) 1996	(Sm) 1995	growth (%)	
GTE	21,3	6.9	2,798	(2,144)	8.1	
BellSouth	19.0	6.5	2,863	(1,232)	4,7	
Amentech	14.9	11.1	2,134	2,008	3.4	
SBC Comms	13.9	9.7	2,101	(930)	5.1	
Nynax	13.5	4.7	1,477	1,850	3.5	
Bell Atlantic	13.1	(2.4)	1,882	1,858	3.0	
Pacific Telesia Source: Companies	8.9	60	1,142	(2,312)	4.2	

bave their calls completed providing a universal teleover the local carriers' lines. These fees, which account uneconomic areas. The Fedlikely to come from the for 25 per cent of the reve- eral Communications Comnues of some Bahy Bells, are mission has said it will lay

long-distance companies to to compensate the Bells for phone service, even in

access charges going on between now and April," said Ms Anna-Maria Kovacs, an telecoms analyst at Janney Montgomery Scott in Boston. It remained unclear whether the FCC would impose a gradual scaling back of the charges or let a

mine rates immediately, she

GTE, the higgest US local service provider, this week gave the most forceful demonstration of the power of company lift its operating local phone companies' existing customer bases.

access charges by the spring. GTE has been able to enter "There will be a lot of the long-distance market backroom negotiations over already, and offers local and long-distance calling on the same talephone hill. This led, in the final nine months of last year, to the addition of 825,000 long-distance customers, the company said.

GTE also saw an 8 per cent jump in the number of access lines it has in service competitive market deter- as more Americans added extra lines to their homes. Revenues from higher-margin services such as voice mail grew 35 per cent in the year. These gains helped the profit margin last year from 25.3 per cent in 1995 to 25.7

gency department physi-

cians and management ser-

vices. It announced nine new

ers have yet to be convinced

it will be a commercial suc-

cess. The Stat purchase trig-

gered a 20 per cent drop in

A Harris, analysi in Smith Barney in

New York, Stat "represents

a good test case for AMR's

ahility to expand its busi-

ness". Concerns include, in

the words of another ana-

lyst, "distractions to man-

agement in putting together

None of these concerns

apply, however, to AMR's

founders. Having taken the

company public four years

ago at \$8.50 a share. Laid-

law's offer will enable them

Mr Verrochi, just 47, plans

to return home to Boston.

ing companies on an entre-

preneurial basis," he says.

"I'm now looking to consoli-

date other industries." He

has yet to decida which

Bernard Simon

What I'm good at is huild-

to cash out at \$40.

multiple business lines".

ccording to Mr Geoff

Harris, analyst at

While praising the Path-

contracts this week.

AMR's share price,

US ambulance group heads for new avenues

Having become the biggest in its field, American Medical Response is eyeing other healthcare areas

r Paul Verrochi 14 per cent share of the US has made a career ambulance market, with dentifying fragmented US operations in 34 states. business sectors that might benefit from the savings. efficiency and expanding borizons that come with consolidation.

He hegan in the early 1970s by turning a small building maintenance concern into a network stretching from New England to

Georgia. Next, be merged three asbestos-removal companies, and went on to acquire 15 more. Mr Verrochi's latest and most impressive, ven-

ture is ambulances. By folding four companies into American Medical Response in 1992, he created the higgest ambulance operator in the US. Denver-based AMR has subsequently completed more than 70 acquisitions, lifting annual revenues almost six-fold to \$725m last year.

AMR's board, chaired hy accepted a friendly \$1.1bn hid from Laidlaw, the Ontario-based transport and waste management group whose subsidiaries include MedTrans, hitherto AMR's chief rival. The deal is due to be finalised next month.

By Richard Tomkins

Hilton Hotels was yesterday poised to launch its hostila

\$8.5bn takeover bid for the

rival ITT leisure group by

filing the terms of its tender

offer with the US Securities

and Exchange Commission.

ITT has not yet seen details of the \$55-a-share

offer, but Hilton Hotels was

the SEC late last night or

this morning, opening the way for ITT to consider the

proposal at its board meet-ing next Tuesday.

The filing is expected to inclode details of previous

contacts between Hilton

Hotels and ITT, in which Mr

Stepben Bollenbach, chief executive of Hilton Hotels, expressed an interest in

It will also contain details

of a lawsuit filed by Hilton

Hotels in Nevada seeking to

prevent ITT from triggering

a "poison pill" provision that

would increase the number

of ITT directors from 11

Hilton Hotels' bid for ITT

is expected to take the form

of a proxy battle in which

Hilton Hotels would propose

an alternate slate of direc-

tors for election at ITT's

annual meeting in the

If ITT's poison pill provi-

sion is allowed, it will enable

ITT directors to outnumber

Hilton Hotels' alternate

slata. A hearing of the

lawsuit has been set for

Hilton Hotels is proposing

to offer \$55 in cash for 50 per

March 5.

acquiring ITT.

expected to file them with at \$28%.

in New York

Hilton set to

file terms of

offer for ITT

operations in 34 states. AMR still has pleoty of room to grow in ambulances. In spite of recent consolida-

tion, about a third of the industry remains in the bands of 2,000 small, mostly family-owned, businesses. One of AMR's challenges is to persuade local politi-

clans and trade unions to privatise municipal emergency services, which still make up about half the market, including the largest cities. AMR's biggest operation at present is in San Jose, California, with a population of ahout

Bnt ambulances are likely to form only part of AMR's expansion. "We want to move from an ambulance transportation company to . . . managers of unscheduled health events," says Mr Paul Shirley, an AMR veteran who will stay on as Mr Verrochi, recently chief executive after the MedTrans merger.

By buying into doctors' practices, nursing services and emergency room (casualty ward) management. AMR aims to provide a onestop service that will deterre finalised next month. Moreover that patients are combined group, to be patient's condition and the sas-hased securities firm, are steered away from

of the takeover, it would

offer stock worth \$55 a share

for the remaining half of

ITT is expected to launch a

fierce defeoce against the

takeover, and analysts say

Hilton Hotels will probably have to raise its hid. Hilton

Hotels' shares were \$% down

at \$57% in early trading yes-

terday. ITT's were \$1% down

If Hilton Hotels succeeds

in its bid, It is expected to

raise \$1bn-\$2bn by selling

ITT's non-core interests.

About \$600m would come

from selling TTT's 5 per cent

stake in Alcatel Alsthom,

the French telecommunica-

tions, transport and power

engineering group - a legacy of the days when ITT was a

ITT also owns a 50 per

cant stake in New York's Madison Square Garden

entertainment complex, the

New York Knicks and New

York Rangers sports teams, and a 50 per cent stake in New York's channel 31 cable

television station, beld in

Its other non-core interests are ITT World Directories, a

partnership with Dow Jones.

publisher of Yellow Page

telephone directories outside

the US, and ITT Educational

Services, a chain of technical

ITT is refusing to com-

ment on its strategy for

fighting the bid ahead of its

formal response, expected at

the end of next week. Its

options could include dispos-

ing of non-core assets, seek-

ing a white knight, or even

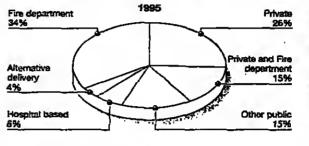
launching a counter-hid

colleges in the US.

telecoms company.

ITT's equity.

Emergency transport industry providers



Source: Journal of Emergency Medical Services

form of transport. AMR's plan is designed to keep abreast of - and benefit from - the shift in US healthcare from a cost-based, fee-for-service system driven hy suppliers, to one where pricing and quality decisions are increasingly in the hands of "managed care"

provide the most suitable

hese include health insurance companies, large employers, and Medicare, the government ageocy that funds healthcare for the elderly. Medicare contributes about 30 per cent of AMR's revenues.

organisations.

known as AMR, will have a treatment required, then estimated in a recent report expensive emergency room

that demand for ambulance transport is growing hy about 5 per cent a year.

But the outlook for profits is dampened by a drive among managed-care companies to cut costs. Fixed percapita rates are replacing Stat Healthcare, fees. Instead of charging between \$200 and \$700 per call (depending on the type of vehicle dispatched), ambulance operators are month for each member of a managed-care organisation

contracted. Amhulance companies are thus under pressure not only to contain operating costs,

which they are

treatment unless they really a year ago) to provide emer-

Clinical expertise has increasingly become an integral part of the ambulance business. "It's taking us from a \$10bn industry to a \$30bn one," Mr Shirley says. AMR aims to combine these strands in a one-stop service known as American Medical Pathways. Its ambulance dispatch centres would

screen calls on behalf of managed-care organisations. The response might range from sending out a vehicle with a full range of life-support equipment, to dispatching a nurse to a patient's home. The goal is to ensure that only patients requiring hospital admission

would he brought to an

emergency room. AMR last October bought well-known provider of emergency room services and dialysis for kidney and diabetes patients. Mr Shirley says future acquisitions are having to accept \$5 to \$7 a likely to include doctors' practices specialising in

> AMR plans to introduce the Pathways service in four centres this year, starting with Denver and northern California, and to expand it across most of its operating ones area in 1998.

It currently has contracts

This announcement appears as a matter of record only.



The Republic of Kazakstan

Debut Eurobond Issue

U.S. \$200,000,000 9.25% Notes due 1999

ABN AMRO Hoare Govett

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Salomon Brothers International Limited

Deutsche Morgan Grenfell

Global Kazkommerts Securities

Société Générale S.T.

To the Holders of the Outstanding AUTOBACS SEVEN CO., LTD U.S. \$100,000,000

4% per cent: Bonda due 1999 NOTICE IS HEREBY GIVEN to the Holders of the above Boods that, at the Meeting of such Reiders held at the officers of Chilord Chance, 200 Alderspate Street, Landon ECLA 411 on 23rd January, 1937 at 12:30 p.m. (London time), the Extraordinary Resolution to hipprove the 23rd January, 1937 at 12:30 p.m. (London time), the Extraordinary feventsolution to hipprove the appointment of Tolcai Trust Europe Limited as trustee for the Boods in place of Tolcai Trust Europe Limited as trustee for the Boods in the Notice of Meeting Company of New York with effect from the date thereof as set out in the Notice of Meeting Personally notified to Boudinalders is accordance with the terms of the Trust Deed for such Boads was duly passed. The Supplemental Trust Deed recording the effect of the Entroordinary, Resolution shall be available for loopercion from all Paying Agents for the Boads including Kredietbank S.A. Laurenbourgeoise (Paying Agent in Laurenbourge). Poldka Corporation U.S. \$70,000,000

cent of ITT's shares in a ten- against Hilton Hotels.

der offer. In a second stage Rooms with a view, Page 19

2% per cent. Sparanteed Boads due 1999 NOTICE IS HEREBY COVEN to the Holders of the stone Bonds that, at the Meeting of sucr NOTICE IS HERE'SY (SIVEN to the Holders of the above Bones that, or on vectors or wheeling or the ASA II on Asianay 1997 at 11.00 a.m. Aundon bone, the Europeansers Paschinton to expone the appointment of Tokal Trust Europe Limited as master for the Bones in place of local Trust Company of New York with office, from the diete previous as well out in the Netter of Monting previously northfold to Benderholders in exponentiates with the terms of the Trust Dead for such Bonds was duly placed. The Supplemental That Dead recording the effect of the Extraordinary Resistance state to the Bonds when the Bonds with the Bonds with the Bonds with the Bonds when the Bonds with the Bonds w

3

By Justin Marozzi in Singapore

Petron, the Philippines' largest petrol group, yesterday announced record net profits for the full year of 4.24bn pesos (\$161m), after strong sales performance and improved operating efficiency.

Profits were up 5.4 per cent from 4.02bn pesos in 1995. Overall sales climbed 8.1 per cent from 54.3m barreis to 58.7m barrels. Turnover of avturbo, gasolines, naphtha and sol-vants enjoyed double-digit growth.

The growth in turnover offset the iower than expected recovery in crude prices, which was a result of Anglo-Dutch group, are facing a

the government's Automatic Pricing potential influx of new competition Mechanism which adjusts prices monthly. Capacity use rose from 90 per cent to 93 per cent. Market share was 41.4 per cent.

Shares in the group, which is 40 per cent owned by Saudi Aramco, with the Philippine government holding 40 per cent, closed up 50 centavos to 11.5 pesos. This was in spite of the fall in

earnings per share from 0.64 pesos to

0.57 pesos. Petron and the two other big oil companies in the region, Caltex and Shell Pilipinas, the local arm of the

Keyence: beating the slowdown

Yen bn

lated. President Ramos has brought deregulation forward one month to February 8.

A number of companies, including That Petrochemicals Industry, Mobil and Britiah Petroleum, have expressed interest in the Philippine The government owes the three

domestic groups 2.4bn pesos from the Oil Price Stabilisation Fund, a buffer facility which has shielded the Philippines from fluctuations on the global market

Analysts yesterday questioned

whether Petron would be abla to when the oil sector is fully deregu- achieve double-digit profit growth after deregulation. At the same time. they doubted whether tha government would fully relinquish control

of tha oil sector. Petron said it had approved 5.4bn pesos for capital spending in 1997. In preparation for the new competitors, Petron has invested in improvements to its refining facility.

Earlier this month the group signed a 3bn peso contract with Daelim Engineering of South Korea and Mitsui of Japan to build a 200,000 barrels a day oil refinery. It should start work in early 1998.

(\$22.9m) in the year to December 31.

out aurplus metal aheets

that accidentally found their

way on to metal presses in

Mr Hashimoto estimates that

since the economic slow-

down began six years ago,

unit volumes of sensors in

use by Japanese industry have been flat or at best

To creata new demand

Keyence aims to keep new

products coming out fast, so

that they account for 30 per

cent of annual sales. New

products were the main fac-

tor in a 15 per cent increase

in sales for the six months to

Not everything in the Key-

enca model is beyond

reproach. Analysts have crit-

icised it for spending Y10bn

on a new headquartera.

rather than increasing divi-

dends, which last year were

at a typically Japanese low

level of 4.7 per cent of earn-

Mr Hashimoto replies that

the building promotes the

atmosphere of creativity, vital to what is essentially a

service business. As for divi-

slightly increasing.

last September.

ings per share.

The trend to factory

automation haa

helped Keyence, But

car factories.

The improvement feii short of the group's target of 20 per cent growth. Sales, which climbed from 6.59bn pesos to 8.28bn pesos, exceeded the target of 25 per cent growth, but increased costs of diversification and expansion meant bottomline growth was more

disappoints

12% climb

Jollibee, the Philippines'

largest fast-food chain, yes-

terday disappointed analysts despite lifting net profit 12

per cent to 603m pesos

despite

The company, whose shares closed nnchanged yesterday at 28 pesos, is expanding in Asia and plans to open between 30 and 50 branches a year.

limited.

Cost of sales and operating expenses in the fourth quarter rose 28 per cent, from 1.37bn pesos to 1.76bn pesos. Earnings per share declined from 0.76 pesos to 0.69 pesos

Analysts said they were reviewing forecasts for 1997 earnings after the disappointing resnits, but stressed the group should return to more robust per-formance within a couple of years.

"Last year and this year are planting years for the company, because it is expanding both domestically and internationally,' said Mr Frederick de Vera, analyst at ING Barings in Manila.

"You might not see spectacular growth in 1997 either, but after that I think it will be a different story." Jollibea'a anccess bas come from marketing hamburgers and other fast food

to suit Filipino tastes. The company controls about 50 per cent of the fast food market, and is ahead of all its local competitors as well as the usually dominant McDonalds hamburger

ASIA-PACIFIC NEWS DIGEST

CSR 'poised for A\$1bn disposals'

CSR, tha Australian building materials and sugar group, is poised to raise more than A\$1bn (US\$770m) from a shake-up of its Australian timber and US construction material interests, according to a report in the Sydney Morning Herald. The moves are aimed at restoring profit growth and addressing investor concerns about the company's strategic direction, the newspaper said.

Mr Geoff Kells, CSR chief executive, had confirmed tha company would sell underperforming businesses and possibly reinvest some of the funds in higher growth

"Following the much lower market in Australia we have undergone a total review of our Australian businesses, and at the same time our underperforming assets in America, and from that have looked at ways of increasing CSR's return on funds," Mr Kells was quoted

CSR would certainly restructure the Australian timber business. It was also continuing preparations for tha sale of A\$120m of surplus assets in Australia and in the US.

Axa-UAP starts China fund

Axa-UAP National Mutual, the insurance group, has launched a \$500m fund in Beijing to target investment in China and elsewhere in Asia, the China Daily newspaper said yesterday. Mr Claude Bebéar, Axa-UAP chairman and chief executive, was quoted as saying: "Up to 70 per cent of the fund's capital may be directly invested in companies in China in high growth industries, primarily those meeting basic consumer and industrial needs."

YTL gets Thai go-ahead

A consortium led by YTL, the Malaysian power producer with regional ambitions, can now enter Thailand's booming electricity market, having obtained permission from the Malaysian government. The consortium will build a 300MW gas-fired electricity plant in the state of Perlis in northern Malaysia, near the Thai border. It plans to sell the electricity to Thailand's Electricity Generating Authority (Egat). Cost of the project was not available but analysts said it was likely to cost about \$500m. Ted Bardacke, Bangkok

Hoechst Australia in sell-off

Hoechst Australia, part of the large German pharmaceuticals group, is to sell off its Victorian plastics business to Kemcor Australia, a chemicals company owned jointly by Mobil and Exxon.

No sale price was disclosed. Hoechst Australia in Altona has sales of about A\$150m (US\$116m) a year. It employs roughly 250 people. Hoechst has owned the business for around 30 years.

Mr Jens Mohr, managing director of Hoechst Australia, said that the sale partly reflected the worldwide restructuring at Hoechst. The German group has focused its activities on pharmaceuticals, agrichemicals and industrial chemicals. The plastics industry had become increasingly competitive, particularly in Australia, as more plants were developed in Asia. Nikki Tait, Sydney

Keyence hits on a model for success

The challenge now facing Japanese manufacturers is to sustain profits against a background of alow domestic economic growth. A growing number of analysts and management consultants believe an answer might be found in a gleaming high-tech building opposite Osaka station.

It is the headquarters of Keyence a hitherto obscure supplier of electronic sensors for industrial use, which by breaking most of the tenets of Japanese management has produced extraordinary profit growth throughout Japan's economic alowdown Unusually, Keyence sub-

contracts most of its production, mainly to other Japanese companies. It is an example of a trend towards what Japanese management consultants call "fab-less" management - doing without fabrication plants to avoid Japan's notoriously high manufacturing costs and to focus on more important functions such as product design and marketing.

Nintendo, the video games group, pioneered the model in the 1970s by subcontracting first in Japan and then offshore. It was followed by a handful of others, including Akia, the Tokyo-based aupplier of personal computers, and Atlus, which progames arcade

Keyence is notable for having produced some of tha more remarkable in that, out of manufacturing, with

fastest profits growth among Japan's fab-iess companies. The Nihon Keizai Shimbun financial newspaper has voted Keyence Japan's best performing company for the past two years, and its share price has outperformed the Tokyo stock market by nearly 30 per cent over the

past 12 months. "It may very well be the way forward for much of Japanese industry," says Mr James Abegglen, a leading Tokyo management consultant

Kayence's net earnings almost doubled over the four years to last March, to Y10.9bn (\$89.4m), and its operating margin of 47 per cent is roughly 10 times the average for quoted Japanese companies. This is all the

KEYNOTE DM LIMITED

NOTICE OF A MEETING TO THE NOTEHOLDERS OF KEYNOTE DM LIMITED

unlike Japan's high performing axporters. Kevence devotes 90 per cent of its sales to a aluggish domestic

"What is extraordinary is

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the way Keyence has managed to maintain profit margins throughout the worst recession since the war." says Mr Steve Myers, analyst at Jardine Fleming Securities. "It must be one of the best managed companies in

eyence managers no secret to the company'a profitability.

admit to baing bemused by this praise, maintaining there is

Another factor in Key-Its margins, they point out, have been helped by the company's policy of staying

the exception of a pilot plant which it uses for trying new products, producing confidential lines and testing the quality of its subcontractors

Recently, they have also

been helped by a surplus of

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Yen bri

small subcontractors, which has allowed Kevence to shop around for the cheapest and most advanced producer. Equipment. quickly becomes obsolete, but that does not bother us. We just pick the factories with the most up-to-date equipment," says Mr Kensho Hashimoto, director responsible for

ence's success was its move into sensors just as that market was embarking on a long period of growth. Mr Takizaki's first project was a

dends, Keyence needs all the cepital it can get and prefers not to borrow, he argues. "We still think of ourselves

as a developing company." William Dawkins chain.

KEYNOTE U.S. FIXED LIMITED NOTICE OF A MEETING TO THE NOTEHOLDERS OF KEYNOTE U.S. FIXED LIMITED

U.S.\$50,000,000

Collateralised Enhanced Yield Notes dus 2004

NOTICE IS HEREBY GIVEN by Keynote U.S. Fixed Limited (the "Issuer") to the holders (the "Notes) that, pursuant to the Terms and Conditions of the Notes and the provisions of the Trust Deed dated 2 March 1994 (the "Trust Deed") relating to the Notes (copies of which are available for inspection at the offices of the Issuer and the specified office of each Poying Agent set out below) a meeting of the Noteholders (the "Meeting") convened by the Issuer will be held at the offices of Cifford Chance, 200 Aldersgate Street, London ECTA 4U on 24 February 1997 at 3.30p.m. (London time) for the purpose of considering and, if thought fit, passing the following Resolution, which will be proposed as an Extraordinary Resolution. Unless otherwise specified, copitalised learns used in this Notice have the meanings given to them in the Trust Deed. ms used in this Notice have the meanings given to them in the Trust Deed.

EXTRAORDINARY RESOLUTION "THAT this Meeting of the holders (the "Noteholders") of the U.S.\$50,000,000 Collateralised Enhanced Yield Notes due 2004 of Keynote U.S. Fixed Limited (the "Notes" and the "Essuer" respectively) hereby:

(1) approves the modification of the Terms and Conditions of the Notes, as printed on the reverse thereof and in Schedule 4 to the Trust Deed, by the deletion of the words "the Interest Payment Date which folls in March 2004" in the meaning ascribed to the words "Maturity Date" in the Conditions, and the substitution therefor of either the words "the Interest Payment Date which folls in March 1997" or the words "17 March 1997", depending on whichever date is the first to occur subsequent to this resolution being approved; and 2)outhorises and requests the Trustee to give effect to the modification referred to in paragraph (1) of this Resolution by executing a Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purpose of identification signed by the Chairman thereof with such amendments (if any) thereto as the Trustee shall require."

The background to and the reasons for the Eutroordinary Resolution are contained in an explanatory memorandum (the "Explanatory Memorandum") dated 31 January 1997 prepared by, amongst others, the Issuer, copies of which will be sent to Noteholders free of charge upon request. To obtain copies of these documents, Noteholders should contact the issuer or one of the Paying Agents at its specified office. The attention of Noteholders is particularly drawn to the quarum required for the Meeting set out in paragraph (b) of "Voting and Quarum" below. Noteholders are strongly urged to take steps as soon as possible to be represented at the Meeting, as explained below.

In accordance with normal practice, the Trustee expresses no opinion on the merits of the proposed modifications to the Trust Deed and the Conditions but the Trustee has authorised it to be stated that on the basis of the information contained in this Natice and in the Explanatory Memorandum it has no objection to the Explanatory Resolution being submitted to the meeting of Nateholders for its consideration.

(a) The Notes are in permanent global form and are held on behalf of Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and Codal Bank, société ananyme ("Godal Bank") for the benefit of the Noteholders. For these purposes the Noteholders are those persons who are for the time being shown in the records of Euroclear or Codal Bank as the holder of Notes. A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting (a) valid voting certificate(s) issued by the Paying Agent relating to the Note(s) in respect of which he wishes to vote. A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his voting certificate to the person whom he wishes to attend on his behalf or give a voting instruction to a Poying Agent (on a voting instruction form obtainable from the specified office of any Poying Agent) instructing such Paying Agent to appoint a Proxy to attend and vote at the Meeting in accordance with the Block Voting Instruction to be issued by such Paying Agent. The Block Voting Instruction shall be deposited at the offices of the Principal Paying Agent.

offices of the knincipal Poying Agent.

Notes may be held to the order of or under the control of a Poying Agent (to its satisfaction) by Cedel Bank or Euroclear for the purposes of obtaining voting certificates, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting) or giving voting instructions in respect of the Meeting. Notes so held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrander of the voting certificates or, not less than 48 hours before the time for which the Meeting is convened, the voting instruction receipt(s) issued in respect thereof.

issued in respect thereof.

b) The quarum required at the Meeting is at least two persons present in person holding voting certificates or being Provies and who together represent not less than three-quarters in principal amount of the Notes for the fine being outstanding.

If within 15 minutes from the time fixed for the Meeting a quarum is not present, the Meeting will be adjourned (unless the Issuer and the Trustee agree that it be dissolved) for such period, not being less than 14 days nor more than 42 days, as may be appointed by the Chairman. At such adjourned Meeting two or more persons present in person holding voting certificates or being provies representing in the aggregate not less than one holf in principal amount of the Notes for the time being outstanding shall form a quarum.

c) To be passed, the Extraordinary Resolution requires the affirmative vote of not less than three-quarters of the persons vating thereon on a show of hands or, if a pall is duty demanded, the affirmative vote of not less than three-quarters of the votes cost thereon. On a show of hands every person who is present and produces a Voting Certificate or is a proxy sholf have one vote. On a poll every person who is so present shall have one vote in respect of U.S.\$1,000 in aggregate principal amount of the outstanding Note(s) represented or held by them. If passed, the Extraordinary Resolution will be binding an all Noteholders whether or not voting) and upon all Coupanholders.

The Noteholders will be notified by publication in the Financial Times (or another leading English language daily newspaper published in London) and in the Lucemburger Wort (or another daily newspaper published in Lucemburger Wort (or another daily newspaper) and the Edmondinary Resolution within 14 days of such result being known, but may contact the Principal Paying Agent at any time following the conclusion of the Meeting for the purpose of ascertaining whether or not the Edmondinary Resolution was passed at the PRINCIPAL PAYING AGENT

Citibank, N.A. 336 Strand London WC2R 1HB

Citibank (Luxembourg) S.A. 16 Avenue Marie-Therèse L-2132 Luxembourg

London WCZR THB

ISSUER

Registered Office of the Issuer
P.O. Box 309, Grand Cayman
Coyman Islands, British West Indies

This Notice is given by Keynote U.S. Fixed Limited and is doted 31 January 1997.

Contact details for Euroclear and Cedel Bank are as follows: Euroclear: Custady Operations Department (telephone: +322 224 1801/2865, teles: 61025 MGTEC 8). Cedel Bank: Securities Management - International Markets (telephone; +352 44 992 8065, teles: 2791). CITIBANCO

NOTICE TO THE NOTEHOLDERS OF KEYNOTE U.S. FLOATING LIMITED U.S.\$80,000,000 Collateralised Enhanced Yield Floating Rate Notes due 2004 (the "U.S. Hooting Notes")

KEYNOTE U.S. FIXED LIMITED

U.S.\$50,000,000 alised Enhanced Yield Notes due 2004 (the "U.S. Fixed Notes")

KEYNOTE DM LIMITED DM50,000,000 Collateralised Enhanced Yield Notes due 2004 (the "DM Notes")

Collateralised Enhanced Yield Notes due 2004
(the 'DM Notes')

NOTICE IS HEREBY GIVEN of the occurrence of a Trading Account Liquidation and, pursuant to Condition 5(b) of this Terms and Conditions of each of the U.S. Floating Notes, the U.S. Fixed Notes and the DM Notes (each, on "issue of Notes" and together, the "Notes"), of the commencement today of the period during which Notesholders may exercise the option to have Notes redeemed by Keynote U.S. Floating Limited, Keynate U.S. Fixed Limited and Keynate DM Limited, respectively (each an "issuer" and together, the "Issuers"). Unless otherwise specified, capitalised terms used in this Notice have the meanings given to them in the Terms and Conditions relating to each issue of Notes.

The Issuers confirm that each issue of Notes is still represented by a Permanent Global Distrates Notice (as defined in, and annexed to, the Permanent Global Distrates Notice (as defined in, and annexed to, the Permanent Global Distrates Notice (as defined in, and annexed to, the Permanent Global Note issued in respect of each issue of Notes) with Euroclear or Cedel Bank, as the case may be, (with a copy to each Poying Agent) in the form available from any Paying Agent, Euroclear or Cedel Bank, as the case may be, will debit the Notes referred to in such Notice from the account in which they are held. On the Interest Payment Date falling in March 1997, each issuer will redeem its Notes referred to in a Global Exercise Notice by delivering to the specified account of such Noteholder Collateral Notes in the same denominations as the Notes in respect of which the Global Exercise Notice is exercise, logather with payment of interest at the Minimum Coupon and any payment of Coupon Enhancement, Withhalding Campensalian and/ar Redemption Amaunt (if capicable) due on the Interest Payment Date loding in March 1997, oil as set out more fully in the Terms and Canditions of each issue of Notes. Any Global Exercise Notice shall be irrevocable ance gives.

Principal Paying Agent

Paying Agent
Citibank (Linembourg) S.A.
16 Avenue Marie-Thérèse
L-2132 Linembourg Principal Paying Agent Citibank, N.A. 336 Strand London WC2R 1HB

This Notice is given by each of Keynote U.S. Floating Limited, Keynote U.S. Fixed Limited and Keynote DM Limited and is dated 31 January 1997.

Contact details for Euroclear and Cedel Bank are as follows: Euroclear: Custody Operations Department (telephone: +322 224 1801/2865, telex: 61025 MGTEC B). Cedel Bank: Custody Events [telephone: +352 44 992 8102, telex: 2791].

CITIBANCO



(Registered in Curação No. 41415)

Notice to holders of bearer share certificates

The holders of bearer share certificates of Intrum Justitia N.V., the "Company", are hereby requested to sebmit e talon to the Company's Paying Agents:

Kredietbank S.A. Luxembourgeoise Hambros Bank Limited 43 Boulevard Royal L-2955 Luxembourg

41 Tower HILL London EC3N 4HA United Kingdom

For collection of dividend coupon number 13.

DM50,000,000 Collateralised Enhanced Yield Notes due 2004 NOTICE IS HEREBY GIVEN by Keynote DM Limited (the "Issuer") to the holders (the "Noteholders") of the DM50,000,000 Collateralised Enhanced Yield Notes due 2004 (the "Notes") that, pursuant to the Terms and Conditions of the Notes and the provisions of the Trust Deed dated 2 March 1994 (the "Trust Deed") relating to the Notes (copies of which are available for inspection at the offices of the Issuer and the specified office of each Poying Agent set out below) a meeting of the Noteholders (the "Meeting") convened by the Issuer will be held at the offices of Clifford Chance, 200 Aldersgate Street, London ECIA 4U on 24 February 1997 at 4,00p.m. (London time) for the purpose of considering and, if thought fit, passing the following Resolution, which will be proposed as an Extraordinary Resolution. Unless otherwise specified, capitalised terms used in this Notice have the meanings given to them in the Trust Deed. EXTRAORDINARY RESOLUTION THAT this Meeting of the holders (the "Noteholders") of the DM 50,000,000 Collateralised Enhanced Yield Notes due 2004 of Kaynote DM Limited (the "Notes" and the "Issuer" respectively) hereby: (1) approves the modification of the Terms and Conditions of the Notes, as printed on the reverse thereof and its Schedule 4 to the Trust Deed, by the deletion of the words "the Interest Payment Date which falls in March 2004" in the meaning ascribed to the words "Moturity Date" in the Conditions, and the substitution therefor of either the words "the Interest Payment Date which falls in March 1997" or the words "17 March 1997", depending an whichever date is the first to occur subsequent to this resolution being approved; and (2) outhorises and requests the Trustee to give effect to the modification referred to in paragraph (1) of this Resolution by executing a Supplemental Trust Deed in the form of the droft produced to this Meeting and for the purpose of identification signed by the Chairman thereof with such amendments (if any) thereto as the Trustee shall require." The background to and the reasons for the Extraordinary Resolution are contained in an explanatory memorandum (the "Explanatory Memorandum") dated 31 January 1997 prepared by, amongst others, the Issuer, capies of which will be sent to Noteholders free of charge upon request. To obtain copies of these documents, Noteholders should contact the Issuer or one of the Poying Agents at its specified office. The attention of Noteholders is particularly drawn to the quarum required for the Meeting set out in paragraph (b) of "Voting and Quarum" below. Noteholders are strongly urged to take steps as soon as possible to be represented at the Meeting, as explained below. In accordance with normal practice, the Trustee expresses no opinion on the merits of the proposed modifications to the Trust Deed and the Conditions but the Trustee has authorised it to be stated that on the basis of the information contained in this Natice and in the Explanatory Memorandum it has no objection to the Edmordinary Resolution being submitted to the meeting of Nateholders for its consideration. (a) The Notes are in permanent global form and are held an behalf of Margan Guaranty Trust Company of New York, Brussels office, as aperator of the Euroclear System ("Euroclear") and Cedel Bank, societie anonyme ("Cedel Bank") for the benefit of the Noteholders. For these purposes the Noteholders are those persons who are for the time being shown in the records of Euroclear or Cedel Bank as the holder of Notes. A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting (a) valid voting certificate(s) issued by the Paying Agent relating to the Note(s) in respect of which he wishes to vate. A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his voting certificate to the person whom he wishes to attend and is behalf or give a voting instruction to a Paying Agent (on a voting instruction form obtainable from the specified office of any Paying Agent) instructing such Paying Agent to appoint a Prays to attend and vote at the Meeting in accordance with the Block Voting Instruction to be issued by such Paying Agent. The Block Voting Instruction shall be deposited at the offices of the Principal Paying Agent. Notes may be held to the order of or under the control of a Paying Agent (to its satisfaction) by Cedel Bank or Euroclear for the purposes of obtaining voting certificates, not later that 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting) or giving voting instructions in respect of the Meeting. Notes so held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) or giving voting instructions in respect of the Meeting is convened, the voting instruction receipt(s) issued in respect thereof. (b) The quarum required of the Meeting is at least two persons present in person holding voting certificates or **VOTING AND QUORUM** The quorum required at the Meeting is at least two persons present in person holding voting certificates or being Proxies and who together represent not less than three-quarters in principal amount of the Notes for being Provies and who together represent not less than three-quarters in principal amount of the Notes for the time being outstanding. If within 15 minutes from the time fixed for the Meeting a quartum is not present, the Meeting will be adjourned (unless the Issuer and the Trustee agree that it be dissolved) for such period, not being less than 14 days nor more than 42 days, as may be appointed by the Chairman. At such adjourned Meeting two or more persons present in person holding volting certificates or being provides representing in the agreegate not less than one half in principal amount of the Notes for the time being outstanding shall form a quartum. (c) To be passed, the Extraordinary Resolution requires the affirmative vote of not less than three-quarters of the persons voting thereon on a show of hands or, if a poll is duly demanded, the affirmative vote of not less than three-quarters of the votes cast thereon. On a show of hands every person who is present in person and produces a Voting Certificate or is a pracy shall have one vote. On a poll every person who is so present shall have one vote in respect of DM1.000 in aggregate principal amount of the outstanding Note(s) represented or held by them. If passed, the Extraordinary Resolution will be binding on all Noteholders (whether or not present or represented at the Meeting and whether or not voting) and upon all Courposholders. Couponhoiders. e Noteholders will be notified by publication in the Financial Times (or another leading English language ity newspaper published in London) and in the Luxemburger Wort (or another daily newspaper published Luxemburg approved by the Trustee) of the result of voting on the Eutroordinary Resolution within 14 days such result being known, but may contact the Principal Paying Agent at any time following the conclusion of a Meeting for the purpose of ascertaining whether or not the Eutroordinary Resolution was passed at the PRINCIPAL PAYING AGENT Citibank (Luxembourg) 5.A. 16 Avenue Morie-Thérèse L-2132 Luxembourg Citibank, N.A. 336 Strand B ISSUER Registered Office of the Issuer P.O. Box 309, Grand Cayman Coyman Islands, British West Indies This Notice is given by Keynote DM Limited and is dated 31 January 1997. Contact details for Euroclear and Cedel Bank are as follows: Euroclear: Custody Operations Department (telephone: +322 224 1801/2865, teles: 61025 MGTEC B). Cadel Bank: Securities Management – International Markets (telephone: +352 44 992 8065, teles: 2791)

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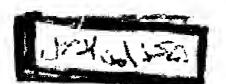
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improved results in the downstream sector in Europe following increased throughput and sales, and further enhanced by better refining margins, with conversion margins in the second half of the year making a strong

a drop in the results for the chemical sector due to a general reduction in

COMPANIES AND FINANCE: UK

Claim that profits warning, which hit the share price, was 'badly handled'

Premier Farnell chief blames BZW

By Motoko Rich and Christopher Price

The chief executive of Premier Farnell, the UK electronic components distributor, yesterday tried to shift the blame for Wednesday's bungled profits warning on fell 112%p to 520p. to BZW, the company's bro-

Speaking from California just before he cut short a business trip to return to London yesterday. Mr Howard Poulson said the profits warning - which came less than a year after the company's controversial \$2.8bn takeover of US company Prsmier - was "extremely badly handled".

Mr Poulson said the warning, which prompted the shares to fall 25 per cent in two days, was "unnecessary". He said BZW told the company 10 days ago it did not need to issue a warning because it expected profits to fall sbort of forecasts by only B per cent.

But in Wednesday meet ings between BZW's analysts and Mr Andrew Fisher, Premier Farnell's finance director, BZW "reversed Its view and said we had to put out a trading statement".

Mr Poulson said he would centage profits downgrade The underlying performance, with the Premier acquisition call a board meeting to consider BZW's role. "BZW have got to own up, they called it wrong," he said. He declined to say whether the company would dismiss its brokers over the incident. The shares

BZW said it advised the company to issue the warning on Wednesday because "we felt that notwithstand-

ing the relatively small per-

announcement was late factory." because It was contacting directors, including Mr Poulduty to issue it" not only in

London but in New York. Mr Poulson said the warndence in the company, which I think is totally unfounded. business - mostly inherited

that the share price might while not as buoyant as we last year - were affected by react adversely." It said the wanted it, is perfectly satistic the downturn in semicon-

The company said weak market conditions in the US son, in the US, and once it and the UK, as well as the had the statement it "had a strength of sterling, were responsible for the shortfall in profits. Both the volume business - sold on December ing "eroded a lot of confi- 20 to Arrow of the US for \$300m - and the catalogue

ductor markets last year.

Ms Sue Cox, analyst at UBS, said the shares reacted dramatically because the company began cancelling meetings with analysts ahead of the trading statement. Other analysts said the warning justified their concerns about the price paid for Premier.



Short circuit for shareholders



740 720 net Electronics bids \$2.8bin (4) Company warns of slow-down (9) Farnell wins egra vote on deal (9) Issues profit warning

Gulf Canada attacks Clyde forecasts

By Jane Martinson

Gulf Canada Resources yesterday turned its attack on Clyde Petroleum's "unrealistic production forecasts" in its continuing £432m (\$700m) hostile takeover bat-

The Canadian oil and gas group singled out forecasts

UK oil independent, just two days hefore the bid was launched in December.

In its final defence document published earlier this the field would produce

105p a share cash offer.

Using research commissioned from SSI, indepen- leum for up to £8.5m. week, Clyde estimated that dent consultants, Gulf described these calculations some 12,600 barrels of oil per as "overly optimistic". It said: "Would BP really sell day by 1999 after starting based its criticism on the this asset at a quarter of next year. Such calculations projected speed of the proj. what it is worth?"

for a field bought by Clyde, a helped the group announce a ect, the fact that Clyde had new net asset valuation of not yet operated such a field, 120p a share, above Clyde's and that it now claimed a much higher value for a field hought from British Petro-

> Mr Dick Auchinlech, a senior vice president of Gulf,

He added that the group "still had some work to do" hefore next Tuesday, by which time it has to decide whether or not to increase its offer, but "right now it looks a full and fair offer." City analysts believe it will have to raise its offer to win Clyde, with the most likely price about 120p.

Minister of Finance of the Republic of Poland

acting on behalf of the State Treasury in accordance with Art. 23 item 1 point 3 of the Law on the Privatisation of State-Owned Enterprises of July 13, 1990 (Journal of Laws no. 51, Item 298 as subsequently amended)

HEREBY ANNOUNCES THE INVITATION TO NEGOTIATIONS

for domestic and foreign investors regarding the equisition of shareholding in Powszechny Bank Kredytowy SA in Warsaw in a number that is not less than 10% and not more than 65% of the share capital of the bank.

Any domestic or foreign interested party are invited to submit an Expression of Interest regarding participating in the negotiations at the registered office of the Advisor to the Minister of Finance in this project, at the following address:

HSBC Investment Services Sp. z o.o. 02-001 Warszawa, Al. Jerozolimskia 81, telephone: (48-22) 695-06-66 -- 69, satelite line (48) 39 12 33 72, fax: (48-22) 695-06-71 Project Manager: Marzena Bielecka Assistant Project Manager: Piotr Wila

The Expression of Interest should include the following information relating to the interested party or in the case of a consortium for each member of the consortium: 1. Latest published financial statements:

2. A description of the banking activities of the interested party (or consortium members);

3. A description of the activities of the interested party (or consortium members) in Poland in particular and Central and Eastern Europe in General.

Following receipt of Expression of Interested and upon receipt of signed confidentiality letter interested parties will be provided at the Advisor's address with an information

Memorandum and Bidding Procedures, which will contain details concerning the subject and the procedure of the negotiations, including the requirements regarding tha preliminary offers and information on Powszechny Bank Kredytowy SA in Warsaw. The Expression of Interest should be submitted in written form by Monday, 10 February 1997, 5 p.m. CET. The Minister of Finance reserves the right to reject any Expression of Interest for whatever reason at any time. Furthermore, the Ministry of Finance reserves the right withdraw from the negotiations, not to commence negotiations and to change the bidding procedures at any time without giving any reason.



Powszachny Bank Kredytowy SA w Warszawie

Bullough takes Channel tunnel fire benefits P&O

By Charles Batchelor

The fire in the Channel tunnel last November lifted P&O European Ferries' cross-Channel husiness in the final quarter of 1996, tunity to increase rates, the company said yesterday.

However, the rise in passenger numbers was unable to compensate fully for the decline in the number of people using the ferries in the year as a whole. P&O and the other ferry operators transferred ships to the Dover-Calals run and increased the number of sailings while the tunnel ran reduced services during | French courts for liquida-

November and December. The company carried 2.3m passengers and 436,637 cars and coaches between Dover and Calais in the final quarter, against 2m and 379,177 in the final 1995 quarter. It moved 114,814 trucks and truck trailers, against

In the year as a whole, however, passenger numhers fell from 9.64m to 9.07m, while car and coach numbers dropped from

£20m charge on French closure

By Roger Taylor

Bullough, the industrial holding company, has given up trying to sell Atal, its lossmaking French office furniture subsidiary, and has against its closure.

Sir Michael Pickard, chairman, said Atal, which lost £5.34m in the year to Octoher 31, had been caught in a "nutcracker" between falling spending by the French government, its biggest customer, and rising restructuring costs as a result of social legislation on redundancies. After three attempts to sell lt, Atal is in the hands of

tion. As part of the restructuring, Bullough has since the year-end sold another nine non-core businesses that in the year produced operating profits of £1m out of a total of £10.8m (£13.2m).

Eight of the sales resulted m a further exceptional loss in 1996 of £1.6m. The nmth, Reznor, yielded a profit of £7.7m which will appear in the 1997 results.

The disposals generated £16.5m cash, of which £15.6m a total of 5.47p (6.05p).

has been received since the

year-end. Two more companies are now being sold, after which the group will have completed its restructuring, cutting the number of busi-

Excluding exceptionals, Bullough reported pre-tax profits down 45 per cent to £7.99m on static turnover of

A decline from profits of £7.78m to losses of £1.86m at the refrigeration husinesses was responsible for most of the drop in group profits. Mr Gordon Bond, chief executive, said the division had broken even in the second half and was expected to move into profit this

Other divisions did better with £6.8m (£4.9m) profits from UK office furniture, £5.9m (£4m) from heating and £5.2m (£5.1m) from engineering. Net debt now is down to £7.4m, giving gearing of 14 per cent.

Excluding exceptionals. earnings per share were 3.42p (6.64p) but the company has maintained the final dividend at 4.3p making

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CANTRADE PRIVATE BANK SWITZERLAND (C.I.) LIMITED

Notice to Investors in the Troy Trust Service

Cantrade Private Bank Switzerland (C.1.) Limited of Jersey ("Cantrade") requests that investors who have suffered loss as a result of the foreign exchange trading effected through Cantrade on behalf of the Troy Trust Service by Dr. R. Young and his Anagram companies should please contact Cantrade at the following address for further information as to the following proposal:

Cantrade Private Bank Switzerland (C.I.) Limited,

P.O. Box 350. 24 Union Street,

St. Helier,

Jersey JE4 8UJ Channel Islands, U.K.

(44 1534) 611200 Telephone:

(44 1534) 611221 Mr. J. G. Bärlocher, Managing Director

Contacts: Mr. M. D. McLoughlin, Deputy Managing Director

The trading activities of Dr. Young and his companies, on behalf of Mayo Associates SA and other companies comprising the Troy Trust Service, have led to complex litigation in Jersey involving a number of parties. Cantrade is resisting claims made against it and intends to continue to do so.

The Court in Jersey will have to determine where the prime responsibility for the failure to monitor the activities of Dr. Young lies, after having heard the full evidence, at trial. An early trial is not, however, anticipated particularly in the light of the various prosecutions which have now been instituted. Cantrade's intention is therefore to accelerate the compensation to the investors who come within the scope of the proposal as set out in this notice.

The lawyers representing the Troy Trust Service have been asked to co-operate in helping Cantrade to contact investors who may be entitled to benefit but have so far declined to do so. For this reason, Cantrade is itself seeking to trace the investor concerned.

The Proposal

- Cantrade will pay to those general account and F account investors in the Troy Trust Service who accept ("accepting TTS investors") an amount in US dollars equal to the foreign exchange losses incurred by Dr. Young in his dealings with Cantrade on behalf of investors in the Troy Trust Service, in proportion to their individual claims, with commercial interest from the date of the relevant deposit with Cantrade. (Excluded are any persons associated directly or indirectly with the Troy Trust Service who may also have been investors in the Service).
- Accepting TTS investors will be required in return to release any claims which they have against Cantrade, to assign to Cantrade by way of subrogation their rights in respect of their participation in the Troy Trust Service and in foreign exchange trading losses, and to give reasonable assistance to Cantrade at its expense in the pursuit of the rights so assigned.
- The sum payable to accepting TTS investors will be determined by accountants KPMG who will be retained for this purpose by Cantrade at its expense. An accepting TTS investor must give KPMG the necessary information and documents (including as to legal and beneficial ownership) to enable KPMG to assess and determine the compensation due. Should after the appropriate exchange of information KPMG's determination not be accepted, there will be a right of appeal to an independent senior lawyer in Jersey acting as an expert rather than as an arbitrator.
- Payment will be made to accepting TTS investors by Cantrade in Jersey on 30 April, 1997.
- In respect of those investors who have not been located in time to meet that date, or if the sum payable has not been finally determined by that date, or if the legal documentation has not by then been completed, Cantrade will make payment as soon after 30 April, 1997 as is reasonably practical, but reserves the right to specify a final cut-off date.

Investors may have seen some speculation in the press as to how much this proposal may cost Cantrade. The advocate for the Troy Trust Service has been quoted in the press as having rejected the proposal allegedly on behalf of the TTS investor in the grounds that it is inadequate. The Cantrade proposal, however, is to compensate the investors concerned for their actual losses falling within the proposal in full plus interest. Cantrade has placed no financial limit on the offer.

The above is the essence of Cantrade's proposal, which is made without acceptance of any legal liability but on the basis that Cantrade wishes to compensate accepting TTS investors as quickly as possible, leaving the allocation of blame to be determined in due course as between the parties to the litigation, in the light of the facts to be determined by the full evidence at trial.

If you are interested in principle, please contact Cantrade as above. Cantrade is not seeking a contractually binding acceptance at this stage. Before agreeing to be bound, investors who are interested in principle will wish to know the precise figure which is determined as being due, and to have had drafts of the legal documentation they will be asked to

PETROFINA

PROFITS RISE 36%

PetroFina's 1996 consolidated results have been estimated at 16.7 billion BEF, compared with 12.3 billion BEF in 1995, representing an increase of 36 %. After minority interests, the Group's contribution to these results has been estimated at 16.0 billion BEF in 1996 (690 BEF per share) compared with 11.6 billion BEF in 1995 (500 BEF per share), representing an increase of 38%. Capital gains on the sale of assets and other

recurring charges. Cashflow for 1996 was 45 billion BEF (1,935 BEF per share) compared with 39 billion BEF in 1995 (1,691 BEF per share). Compared with 1995, PetroFina's results

extraordinary income were offset by non-

show three significant trends: - a significant increase in the results of the upstream sector due to increased crude

oil prices and U5 natural gas prices;

contribution;

In the upstream sector, work on the Ekofisk redevelopment project continues and, in the downstream sector, the competitive advantages of the deep conversion unit at the Antwerp refinery benefitted from general market conditions. The chemical sector was supported in both Europe and the USA by enhancements to the Group's industrial plants and by development of new products, however, in Europe, it was only toward year end that product prices were able to reflect mid year increases in raw material costs.

1997 compared with 34 billion BEF in 1996. In the upstream sector, this investment will target the ongoing Ekofisk II project and Armada in the North Sea and Tempa Rossa in Italy. In the chemical sector, it will focus on increasing production through debottleneckings and an expansion programme of the high density polyethylene plant in the USA.

The whole press release is available at the

Barclays Bank pic, & Angel Court, Throgmorton Street, London EC2R 7HT.



The Group plans to invest 37 billion BEF in

In the downstream sector, investment will extend the marketing operation development initiatives in Europe and in

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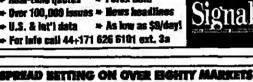


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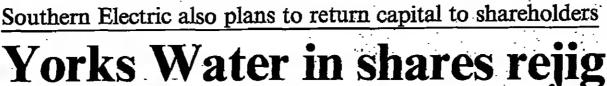
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Petroleum Argus



Southern Electric, the power company, is planning to follow Yorkshire Water's lead in announcing an innovative share restructuring as early as today. It could return about £200m (\$324m) to Southern's shareholders.

Shares in the Maidstone based electricity company rose 16p to 787%p yesterday on expectations of a capital restructuring.

The group, which failed in an attempt to take over Southern Water last year. said in November that it planned to return up to 10 per cent of the company's share capital to sharehold-

In recent weeks it has been talking to shareholders about such a move.

Yorkshire's capital reorganisation scheme, unveiled vesterday, is designed to a share buy-back at the same time as benefiting all shareholders equally.

The type of scheme Yorkshire is implementing is attractive to utilities because of its tax implications, their sensitivity to political pressure over pay-outs, and the belief that they need to improve their balance sheet

Yorkshire will return £147m to ehareholders through a share split and 9-for-10 consolidation. The as they could claim tax cred-

RESULTS

Ped

Brian Wilson: restructuring an 'elegant solution' for returning value to shareholders its on the Advance Corporamove avoids tax which tion Tax paid. But this would be less advantageous would accrue from a buyback as the cash being distributed is part of the for Yorkshire, as, in line

with many other utilities, it

has historically paid no The Leeds-based utility. mainstream corporation tax. was deterred from making a which is used to offset ACT straight 10 per cent buy-back Yorkshire's shares rose by tax changes that were outlined in last November's 17%p yesterday to close at Budget, which would have added 230m to the repur-Analysts estimated that chase price. the move would enhance

(0.139) (10.5\$\rightarrow\$) (0.503) (0.503) (0.957) (1.11) (2.09) (14.9\$\rightarrow\$) (2.781) (2.781) (6.131.\$\rightarrow\$) (4.94) (1.15)

(15.8) (0.161)

Earnings shown basic. Dividents shown not. Figures in trackets are for corresponding period, & Compensives for 28 weeks. After exceptional charge. Watter except credit, 10n increased capital, do increased capital, do increased capital, do increased capital, do increased capital.

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0.252 0.138 0.011 0.995L\$

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(13.3) (14.6) (31.2) (32.2) (4.33)

(395.7) (171.9) (290.8)

group's ordinary share capi-

The group considered a Yorkshire's earnings by 5 special dividend, which per cent in 1997-98. would have had advantages for gross fund sharebolders from 11 per cent to 35 per cent by March.

0.01 6.23L 7.5

Mr Brian Wilson, Yorkshire's finance director, said an "elegant solution" to returning value to all its shareholders at the same We have chosen a method

that gives all our shareholders a chance to participate and gives them the choice over whether to do so or not." he said.

COMPANIES AND FINANCE: UK

SBC Warburg was behind Yorkshire's move and is understood to have advised Southern Electric, in spite of both companies having different financial advisers.

LEX COMMENT

Buy-backs The buy-back is dead; long live the buy-back! Follow-

ing October's tax changes when the tax advanta of the conventional UK share huy-back were dismantled, rational companies should be handing special dividends instead. But not always. As Yorkshire Water ingeniously demonstrated yesterday, there are circumstances in which a buy-back can still be made to stack up financially. To many investors, the complexity of its scheme will look mind-

boggling. But the essence is simple by repaying some of its original share capital, Yorkshire avoids incurring an advance corporation tax (ACT) bill. To most companies. this would be only a short-term timing benefit. But since Yorkshire has a massive ACT backlog, the benefit in its case is very real Crucially, it should be more than enough to offset the loss of the ACT credits for tax-exempt institutions which a special dividend would have

Yorkshire's innovation merely underlines how wasteful recent conventional buy-backs have been. But before anyone gets too excited that a vast new loophole has been discovered, its limits need to be properly understood. It only works where a company has both a hig ACT problem and a large share capital or premium account. Moreover. companies can use the latter only while it lasts. So given that yesterday's plan, for instance, will wipe out most of Yorkshire's nominal share capital, its shareholders can only expect the wheeze to work once.

Staveley hit by cost overruns

Staveley Industries, the diversified engineering and minerals group, yesterday issued a profits warning over losses at one of its measurement subsidiaries. The shares dropped 23p to 163%p.

The company, which completed a restructuring and cost-cutting programme only last year, said pre-tax profits this year would not exceed the previous £23.2m (\$37.6m), compared with analysts'

expectations of £26m-£27m. Mr. Roy Hitchens, chief executive, blamed the difficulties on cost overrums at Chronos Richardson, its measuring instruments man-

oved three managers involved in the problem, which occurred in Chronos Richardson's bagging business." be said. The managers, who have not been named, allegedly agreed manufacturing contracts at below cost in Italy and Germany.

Mr Hitchens said that would result in operating losses this year at Chronos Richardson, which accounts for about 10 per cent of the group's near-£160m annual embarked on a strategic review of the measurement division, which some analysts predicted could lead to its disposal or closure.

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344.7 4.03 28.2 2.43 2.21

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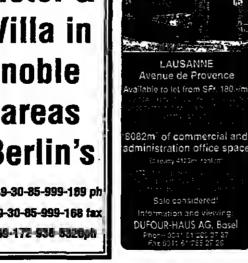
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Irish SE to approve junior market

By John Murray Brown

The Irish Stock Exchange will give approval today to. the setting up of a Developing Companies Market, to be launched later this year in an effort to counter the . 60-strong, which has seen no dearth of new issues on the main market.

The exchange board will meet to endorse the tax package, unveiled in last week's budget, aimed at enticing small and medium sized companies to go public

breaks for DCM companies. see up to 12 companies com- ket, launched in the 1980s, regarded as a "great, sucing to DCM. This contrasts which collapsed. with the main market, some new listings since 1994 and for investments made its total shrinking because of

6.65

overseas takeovers. The target companies are those capitalised between 123m and 1220m (£19.7m). The exchange stipulates that attract 10 per cent capital companies have to have a gains tax.

as a way of raising funds. one-year andit record to The proposals include tax increase investor comfort the Dublin-based broker,

ing increased tax allowances through special investment accounts - similar to the UK's Peps - from 1975,000 to

Mr Tom Byrne, of Davy, and avoid the experience of said if five or six companies Exchange officials hope to the Small Companies Mar- were to list, DCM would be

Stockbrokers, said there was "quite a lot of interest" from technology companies, but warned that DCM's success would depend on the support 1285,000 for shares in DCM of local institutions, who companies. The accounts have traditionally shied away from Irish companies with small capitalisations.

western developers to raise

cheap long-term capital

THE PROPERTY MARKET

fuelling demand for office space, says John Thornhill

ters. The amount of prime office space acceptable to A vast

shopping centre in the shadow of the Kremlin will contain 30,000 sq m

underground in Manezh square

high-yielding office space in Russia. Payback periods can be extremely short, given that implied yields are often as high as 20 per cent in Moscow compared with about 6 per cent in London. The retail market, virtu-

ally non-existent in Moscow a decade ago, has also been blossoming. The population's demand for prestige branded goods and relatively high disposable income has made Moscow's 12m customers an attractive market for retailers. The McDonald's hamburger chain's 10 restaurants are among its busiest

elegant retail emporium. It has attracted dozens of upmarket international retailers to its vaulted arcades, paying annual rents of between \$2,000 to \$4,500

slowly coming on stream, the most impressive of which is a vast underground shopping centre in Manezh square in the shadow of the Kremlin. The centre, due to open in September, complies 30,000 sq m of retsil space on three floors. The develop ment was primarily financed by the city government at an ... estimated cost of \$200m.

The symbolism of the development is striking and somehow appropriate for Russia's helter skelter capi-talism. "Here on Mariezh square the city government is building a modern shop-ping centre where, in Soriet times, the tanks used to time up before parading if Red Square," says M wick of Jones Lang W

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Agent: Morgan Guaranty Trust Company **JPMorgan**

or a country still supposedly in recession, there is an going on in Moscow. The city's skyline is changing by the day as a series of grand monuments, a giant cathedral and scores of smart new office blocks shoot up. The once-dowdy city, dominated by grey Soviet apartment blocks, is rapidly assuming a more col-

ourful and distinctive character as it prepares to cele-brate its 850th birthday this The man responsible for allable to let from SFs. 180.-in this renewal is Mr Yuri Luzhkov, Moscow's mayor, who combines a driving desire to modernise his city with a hands-on manage-3082m of commercial and ment style. Under his influence, Moscow has acquired the feel of a boom town, whatever the depression elsewhere in the country. That impression is con-

firmed by office rental prices in Moscow which are among the highest in the world. Although they softened slightly last year as more space came on the market and foreign companies stal-led expansion plans ahead of the presidential elections, rents remain at \$880 to \$950

per sq m.

The city government tightly cootrols the supply of land, releasing only a small number of sites on to the market each year. It is near impossible to acquire free-hold sites and leaseholds are restricted to 49 years.

While prime office is still scarce, demand has rocketed Russia's new privatised companies are all desperate to build gleaming headquarters. Hundreds of of retail space foreign corporations have also poured into Russia, bopeful of cornering a

Modernisers in Moscow

Privatised companies are

market of 150m people. Among foreign financial institutions, Credit Suisse, Deutsche Bank and Bank of Austria have been rapidly expanding their activities. in the consumer products area, almost all the multipationals, such as Coca-Cola, Mars. Unilever, Nestlé and Procter & Gamble, have established a big presence. And several pharmaceuticals and telecommunications companies have also been clamouring for high-quality headquar-

western companies has expanded from 250,000 sq m in 1994 to a projected 950,000

sq m by the end of this year, but it is a small proportion of the overall office market. There remains about 7m sq m of undeveloped office space in Moscow, much of it extremely poor quality.

Mr Timothy Fenwick, director-general of Jones Lang Wootton's Moscow office, says: "in the past 18 months the stock of international office space has gone up by about 50 per cent with some significant new developments coming on to the market. Demand has therefore been a little bit less feverish but all the space has been taken up."

One of the great draw-backs of the Moscow property market has been the difficulty in financing new developments. Until fairly recently, it was common for developers to demand up to three years' advance rent from tenants in order to finance construction. Long-term bank loans are

difficult to obtain at less than penal rates of interest. There are no real domestic investment institutions worth the name. Financing developments with short-term money and float-ing interest rates is an inherently risky proposition if the yield curve changes. Theoretically, there should be fantastic opportunities for

in the world.

GUM, the giant shopping centre on Red Square, has been transformed into an

Other retail sites are

andrew Taylor

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PROPERTY FINANCE

Interest in development by property companies, institutional investors, and banks has begun to rise again. But there are concerns about history repeating itself. Andrew Taylor reports

Recovery must not encourage old vices

n October 1989, an item in The Financial Times said that if you could see more than a dozen cranes from your office window you were probably looking at the next property recession.

MMENT

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It is far too early to issue a similar warning. Although cranes are once more piercing London's horizon, speculative development remains at a low ebb across the coun-

This has not prevented Mr Pen Kent, retiring executive director of the Bank of England, from reminding potential property financiers that history has a nasty habit of repeating itself.

His concern, expressed in a speech last month to the Investment Property Forum, was that lenders enticed by rising commercial values "relax the basica, such as loan-to-value ratios and income cover" or "take very bullish views on the likely atrength of cash flows".

Interest in development by institutional investors, property companies and banks has begun to rise again. Total returns from commercial property are expected to out-perform UK equities and bonds over the next 18

According to Mr Kent, dence of incipient over-beat- quarter from a peak of about

ing" in the property market. He said: "We hear that some lenders are seeking to pressurise valuera into higher valuations. This is not a healthy practice and we hope that both the lenders and the valuing profession will be strong enough to

Mr Kent warned: "Many of the ingredients that contributed to the last cycle are certainly present now."

Institutional investors attracted to the sector, in the sbort term, could easily resume their longer-term departure from property if the sector's performance began to run out of steam and other assets began to look more attractive.

"It is also conceivable that the banks might become disillusioned with property again, particularly if they relax their landing criteria too far in the current exceptionally competitive lending market," cautioned the Bank of England director.

This could also happen if they are seduced by the outlook for the better properties into taking excessive risks on the secondary and tertiary sectors, for which the outlook generally appears less bright."

According to the bank. lending to property compa-



total commercial lending by banks in the UK, compared with a long-term average of 7.8 per cent and a peak of 12.4 per cent in 1992, according to agents DTZ Debenham

The most recent figures, however, mask an upturn in property lending by the UK clearing banks during 1996. German banks also bave been very active in financing UK commercial property investments. With banks generally less

burdened by bad debts and property market conditions coming more favourable, the number of banks willing to undertake new lending to the property sector bas increased significantly, compared with the early 1990s," Says DTZ. It estimates that there are

120 banks · currently "actively" lending to the UK there was already "some evi- nies has declined by about a property sector.

£41bn in 1991 to £30.5bn dur- bad increased competition ing the three months to the among lenders with "margins falling to as low as 0.75 Property debt currently per cent on limited recourse accounts for 8.7 per cent of lending compared with 1-1.25 per ceot a year ago," said DTZ.

It reported that last year Hammerson, the UK property group, bad re-financed a five-year corporate facility-signed in 1992 at margins of 55-75 basis points above Libor - with a new £200m seven-year revolving credit from a consortium of international banks at a margin of 40 basis points above Libor, for the first five years, and 42.5 basis points

Banks had also increased ioan-to-value ratios "to around 80 per cent compared with 70-75 per cent a couple of years ago - although the banks still remain selective about property location and are generally resistant to rolling up interest".

DTZ expects lending to become more competitive, with UK clearers currently enjoying a period of strong This revival of interest profitability as a result of



Pen Kent said tast month there was already 'some evidence of incipient over-heating in the

severe cost-cutting, lower bad debt provisions and improved corporate solvency levels.

Investment in UK property may also provide an attractive alternative to continental European banks and institutions seeking a hedge against mounting economic pressures on the continent as the drive for monetary

This partly explains the managers by Merrill Lynch sharp rise in German investment in the UK market during the mid-1990s. By comparison, there is only limited evidence of a possible return to UK property by Japanese and US banks.

The financial retrenchment taking place in the Japanese banking sector should in due course allow the expansion of loan books - although it remains debatable whether banks would risk another foray in the UK after burning their fingers so badly in the property market

The first six months of last year saw an 11 per cent decline in net lending to property companies by Japanese banks. Further writedowns of property loans are expected to be encouraged by the Japanese ministry of

finance. There would appear, however, to be no lack of liquidity to feed UK property investment as the market seems set to continue its

A recent survey of fund however, as values rise and encourage old vices.

and Gallup reported that 15 ers expected to increase spending on property compared with those planning to

Property companies, meanwhile, have continued to raise finance in the equity market as their shares have out-performed the stock mar-

reduce their investment.

According to agents Knight Frank, property companies raised £643m between January and November last year, compared with £550m in the previous year.

A significant proportion of this new money was raised by fast-growing companies such as Chelsfield, Pillar and Shaftesbury, A lot of the money was destined for the retail sector. Much of the financing to

date has concentrated on the relatively safe area of completed investments or new developments with substantial pre-lets.

sbortages of prime properties increase.

An emerging derivatives market shows that the property sector is examining new ways of financing investments, to increase liquidity in the sector.

The announcement in January that BZW Property Index Forwards had raised close to £200m, two months after its launch, was welcomed by Mr Kent.

He said: "There is a renewed push for securitisation, which many investors consider to be crucial if they are to remain in property, and encouraging sigos of progress in developing a property derivatives market.

"Both of these would provide essential liquidity to enhance the efficiency of the property market and to ensure that UK business costs remain competitive. This is of national importance."

His biggest concern, These lending and invest however, is that the ment criteria may change, recovery should not



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3

Exodus by investors

Property now forms less than 6 per cent of managed funds' portfolios

Bureaucracy and fear are strangling efforts by the property industry to staunch a potentially crippling outflow of resources and restore competitiveness with other forms of investment. Plans for US-style investment trusts and a comprehensive derivatives market may now miss the current market

Bricks and mortar have always suffered as an investment medium because they are lumpy assets demanding intensive management. Prime property is too expensive for many funds and even the most humble building takes a lot longer to buy and sell than gilts and equities. Pricing is also a problem in a notoriously opaque

Sucb problems remained in the background during decades of high inflation and eoaring returns, but bave reached crisis point over the past few years. Investors are deserting the sector in droves. Property now forms less than 6 per cent of funds' portfolios - a third the level of a decade ago.

Only recently, Colonial Mutual sold its entire £130m portfolio and Friend's Provident traded £120m worth for sbares io Benchmark, the Malaysian-backed manager, That is despite forecasts that property returns are expected to return to double digits over the next couple of

One alternative to direct investment is to buy shares in property companies but this exposes exempt funds to capital gains and corporate taxes. Another alternative is property unit trusts, which have soared in popularity. The largest, Schroder Exempt, has seen memberyears. But the market wants more. Demand for indirect vehicles almost doubled last year to 43 per cent of institutional investors surveyed by JLW Finance.

The greatest effort is going into lobbying for US-style real estate investment trusts (Reits). These are closed-end, relying on share dealing to provide liquidity for investors rather than the potential problems that open-end trusts may face reimbursing investors. They are also tax exempt - but this is also proving the biggest problem in getting them epproved. Long-awaited approval

expected in the latest Finance Bill failed to materialise because the Treasury is still unsure whether Reits would drain tax coffers, Pressure continues to be applied by beavyweights sucb as Alastair Roes Goobey, chief executive of Hermes Pensions Management and e key government adviser, but chances of a breakthrough under the current government bave disappeared.

There are fears that a Labour administration might be even less sympathetic. John Whalley, head of property at the giant AMP Asset management, is less pessimistic, pointing out that politicians of all colours will realise how crucial the sector is for planned urban regeneratioo. But the sector could be into its next downcycle by then, restricting chances of success.

Progress is being made in other areas, bowever. The stock exchange has been quicker to react than the Treasury, changing listing rules to allow a new kind of trust. This lacks the tax neutrality of a Reit and will be open-ended but could prove a useful step in the right direction.

Dusco, the investment management group which made the running in forcing trust which could involve funds swapping more than from £175m to £500m in four £100m worth of shopping



centres for tradeable securi-

Its chairman, Mr Dik Dusseldorp, who has massive experieoce setting up listed vehicles in Australia and the US, bas dismissed industry scepticism that be will be able to accumulate a hig enough portfolio and expects trading to begin within months. Schroder is also under-

stood to have teamed up real property. with NatWest Markets to which achieves results comneeding changes in tax laws. Investment trusts focused on housing are also being worked on although these could face problems from the tight rules imposed oo types and size of asset.

Meanwhile, the focus on equity securitisation bas overshadowed more successful treatment of debt. The £1.6bn purchase of the Ministry of Defence's married quarters housing by Annington, a consortium created for the deal by Nomura, hinged on a £900m securitisation. "By selling off government

risk income streams as a traded security, it was eble to achieve pricing around 30 basis points over gilts," says Mr Rupert Clarke, managing director of JLW Finance. A similar deal was done by NatWest for British Land at

a margin of 40 basis points

for the Broadgate office com-Debt securitisation such as this has been unfairly overshadowed by equity securi-



about the politicans' attitudes

tisation, he says. The same sopbistication is being applied to the creation of a derivatives market, where investors can benefit from property performance without having to touch a build-ing. "Synthetics" such as Property Income Forwards (Pifs), an over-the-counter contract, enable investors to bet on the benchmark IPD Index rather than deal in

Mr Iain Reid, chief execucreate an investment trust - tive of BZW Property Investment management, says the parable to a Reit without fact that Pifa turnover exceeded £200m - including some of the biggest institutional names - within a couple of months of launch sbows the strength of demand

Goldman Sachs, Warburg and Citibank have also tapped this market, using a basket of leading property company shares as proxy for the market. But the real sign that property has caught up with other asset classes will be a non-proprietary contract which can be traded on the futures exchange.

That, too, is in prospect, with a consortium of funds working on proposals. As with Reits, however, the breakthrough has been held back by the network of approvals required from the Securities and Investment Board. Both could emerge in 1997, marking the point at which the property sector finally came of age. But fears remain that they may be delayed loog enough to

miss the boat.

Unrealistic expectations The types and level of

government departments may be on a steep learning curve

Private Finance Initiative: by Christine Moir

The property industry agrees on only one thing about the government's Private Finance Initiative: the principie. It must be more efficient for government departments to procure accommodation and services from the private sector than become property developers

The industry and

and managers themselves. Not only does the PFI shift the property risks to those with the expertise, it also reduces the government's spending requirements.

"For once it is a case of government leading, not following," says Mr Hugh Mulcahey, a partner of property consultants DTZ. We are quite positive

about PFI and think it will survive the election in some form, if only because it turns public financing requirements into something else." Mr Mulcahey's enthusiasm

is not representative of the property industry as a whole, and even he concedes that it is not "manna from heaven*, citing the frustrations of construction-led consortia at the time-consuming and costly process of winning a PFI contract.

His criticisms are muted. bowever, beside those uncovered by a survey carried out by Price Waterhouse on behalf of the British Property Federation.

The results, published 10 days ago, show the industry dissatisfied with nearly every detail of the process: Not only is it more complicated than traditional procurement arrangements (and therefore more costly). unsuccessful bidders must carry heavy abortive bidding

The industry thinks government should bear this burden. Government caps on cost increases during the length of the contract are unaccept-

ably tight.

The industry wants the freedom to re-base costs where necessary.

risk the private sector is required to take on are perceived to be unacceptable and incompatible with providing value for money. • The process takes far too

long. It needs streamlining. The criticisms comprise a formidable list but, reading between the lines, the industry seems to be preparing itself for PFI not just to continue but to spill over into

According to Price Waterbouse, some respondents bave already heen approached by private sector companies looking for additional services from their landlords As more do so, the struc-

ture of tha UK property market - based on the traditional 25-year lease, with the tenant responsible for maintenance, repairs and insurance - could change. Meanwhile, the property

industry and government departments both seem to be on a steep learning curve. with both sides still harbouring some unrealistic expecta-

Mr David Cain, the executive responsible for property projects at the Private Finance Panel, the hody appointed by government to help PFI bed down, accepts that many complaints are justified but the private sector must give credit for improvements that bave been made.

Time taken in procurement is falling, be claims. The first two prison contracts - for Fazakerley and Bridgend - took 24 months. The third-for Lowdham Grange - took just 10

The preferred bidder for the Department of Social Services Prime project - involving more than 700 properties - should be named by April, with the contract to be signed by the year end, just 18 months after the project was first advertised.

Mr Cain points out that some of the timing is dictated by European Union regulations beyood the control of the UK. But he says that the panel is working on streamlining document flows to bring the period from pre-mean a very high price if the

Dr Timothy Stone: returns on PFI contracts can be rewarding

ferred bidder to contract down from the typical aix months today to less than

the property industry should recognise the reduction in costs already achieved. Bidders need not bave fullfunding in place until they are declared to be the pre-

Meanwhile, be argues that

ferred bidder. Initially, all those on the short list had to show their

capital backing. Shortlists have also been shortened to three or four. reducing the chance of a bid being aborted after the

heaviest costs bave been incurred Mr Cain claims that progress is being made in creating uniform documentation and in informing bidders of the likely price at which they will need to pitch their bid

the property industry. But be argues that bidders should do more themselves to make government departments pay a proper price for the risks they are allocating.

- both matters criticised by

The so-called "Purple Book", published in October as a general guideline, talks of "appropriate risks" and the need to price them. Value for money could

January 1997

risks are out of the ordinary. he points out. Some critics question the ability of the panel to make the necessary improvements to the process and to improve government departments skille in managing contracts. One complaint is that its

executives are tvolcally management consultants or lawyers on sbort-term

"They arrive green and leave as wise men." was one anonymous summary.

Tbey are tbe key to pepping up PFI and it needs pepping." was another. Mr Cain denies that the

industry is disillusioned with PFL "We still get caught in the rush when a project comes

to market. Between 50 and 60 expressions of interest are common. Even for Prime we had 30 interested parties of whom balf were well founded.

Mr Cain also deflects criticism of his lack of property akills by pointing out that he has a group of high level property advisers who meet every six weeks or so. This week'a agenda was dominated by the impact of PFI on landlord and tenant legislation.

PFI projects are issued under contract law, but once operating, the courts might declare they be treated as

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This could conflict with the shift in landlord and tenant responsibilities for which PFI was designed.

Dr Timothy Stone, a national partner with responsibility for PFI at RPMG, observes that the returns on PFI contracts can be rewarding. Backers can gross between

18 and 30 per cent on the equity element of PF1 schemes while mezzanine finance can return between 13 and 15 per cent. But, be argues, such

returns depend on getting the contract right. And that needs expertise. Dr Stone has a tip for Mr

Cain: wby not take on who has snccessfully overseen an NHS project, for one day a

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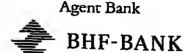
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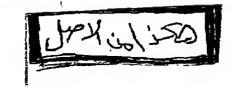
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PROPERTY FINANCE III

■ Development finance: by David Lawson

Alarm bells may be premature

Bank of England warnings about lending rules may have been a trifle early

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The property sector is learning how hard it can be to shake off a bad reputation. A mere sniff of recovery and instead of bunting being hung out, alarm bells start ringing.

New Year predictions that property would ontperform gilts and equities in 1997 were hardly off tha page when Bank of England executive Mr Pen Kent was warning banks earliar this month not to relax lending rules and sow the "seeds of tomorrow's losses".

All very understandable after the tide of bad loans generated in the last period of rapid growth. But little evidence has emerged so far of a lemming-like rush into development finance.

"There are certainly too

tle business, and new ones month," says Mr Simon Taylor, a partner with Drivers Jonas. "But they are all looking for the same thing: secure investments at conservative loan values."

Institutions ara also playing ultra-safe. Funding remained stable at just over filbn last year, about a third of the 12.5m sq ft of development under way, according to JLW Finance, But the proportion devoted to speculative schemes fell from £500m to below £300m.

Fears that institutions could lead a charge back into the market spring from the fact that they were responsible for the last minisurge a couple of years ago. But conditions were different then, says Mr William Hill, managar of Schroder Exempt Property Unit Trust.

"The pricing of development risk was attractive by comparison to yialds for investment propertiaa, which were being chased by

40,000 sq ft block in Victoria, London, was funded from rents of £25 a sq ft. It was rumoured to have gone for abont £30 late last year.

"We were looking for growth we could not get from over-rented stock," says Mr John Whalley, head of property at AMP Asset

Today, rents and land values have moved up, making snch margins impossible. Some backing is being provided but almost exclusively on pre-lets. "Funds are in the market to upgrade their portfolios, not take risks," says Mr Rupert Clarke, managing director of JLW Finance.

Such reluctance contrasts with reports as long ago as last summer that speculative finance was making a comeback. An annual survey by DTZ Debenham Tborpe, Money into Property, showed banks easing their purse

opening their doors every per cent yield with conserva- ance companies - growing top up the £80m senior debt tive rents. Eden House, a more willing to back speculative development. The contrast lies in the tenses. Little has happened so far but intentions are promising for the future.

The impression that a dam has broken arises from the hype surrounding a few key projects, according to Mr Taylor. But he points ont that each has special factors which cannot be generally applied. This was certainly the case when Argent sent shockwaves around the market by funding a £350m speculative development programme covering Thames Valley Park, a City of London office block, and the Birmingbam Brindleyplace

regeneration. This complex deal, which took consultants Richard Ellis 18 months to broker, was based on prime sites with historic land prices. hefty equity stakes from the developer - BriTel Pension Fund and Citibank - plus many banks chasing too lit- a wall of money." Funding strings and inatitu- mezzanine finance through

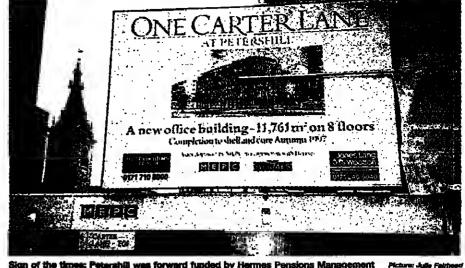
was being done from an 8.5 tions - particularly insur- United Bank of Kuwait to issued by Helaba, Hypobank and DePfa.

"It shows that money is there for the right product in the right area, but developers must be able to put up equity." says Mr Malcolm Wilson of Richard Ellis.

Unfortunately for most developers they do not have equity to spare, and big ones with enough fat in their balance sheets usually call on general corporate borrowing one reason why overall bank lending is rising.

Another beadline deal was

Petershill, the MEPC office complex next to St Paul's forward funded at about 6.5 per cent by Hermes Pensions Management, "This showed that where the figures and location are right, a fund will put up money to create a long-term investment, says Mr John Moore of DTZ. which acted for Hermes. Again, bowever, there were caveats. Even in such a prime location, MEPC had to provide guarantees.



Helical Bar, a company worth only £65m, has managed to create a 2m sq ft development programme by proving it can let speculative schemes before completion to partners such as Friend's

Its commitment comes from "erosion" deals, where profits diminish while space remains empty.

But Mr Gerald Kaye. development director, says it ing. "Banks are probably is still hard going to find the being over-careful at this right schemes which can point in the cycle. Risks are ening to burst.

provide the extra 1.5 per cent yiald cover that funds

This cantion will erode during 1997 as property returns outperform gilts and equities, more current schemes are pre-let, and weight of money begins to build. Mr Stephen Eighteen, DTZ Finance managing director, is impatient that more is not already happen-

relatively low at the ratios they are lending of 50 to 60

Mr Pen Kent obviously prefers a more cautious line as his swansong before retiring this spring. History shows he is right to be worried but the warnings may be a trifle premature.

Another few months may pass before it becomas apparent wbether the funding dam is producing a much-needed flow or threat-

■ Equity market: by Christine Moir

Too many companies

Fresh attitudes are needed to break the logiam and encourage rationalisation

It is hard to believe that a sector which has so thoroughly fallen out of favour with institutional investors could sprout so many qnoted companies. But a glance at the back pages of the FT reveals more than 130 quoted property companies, despite the fact that property has shrunk to under 5 per cent of institutional port-

Most have a market capitutions say they have no interest. All are chasing the same small shoal of developments or the even smaller

ing with European funds as a position to mount takeover

As one leading fund manager said recently: "This is an intolerable duplication of resources". But there is no sign of a shake-out in the sector. So why does the oversupply continue?

Cynical merchant bankers put it down to three factors: huge egos; rag bag portfolios; and hidden liabilities.

The property sector has succumbed less than most others to the drive for professional management. Many are still controlled by charismatic entrepreneurs who want no part in the stately pavane of maximising sharetalisation of under £50m, the holder value by merger and floor below which most insti- acquisition. Agreed takeovers hold no attractions for them. They simply stand by to repel boarders.

Not that there are many stock of trophy buildings would-be attackers these (where they are also compet- days. On the whole, those in

to be out in the field building their own portfolios through development or wheeling and dealing. Other people's portfolios.

built up as eccantricly as companies also face more their own, have limited appeal. Some properties will be attractive; others not. Moreover, to acquire them by way of a corporate takeover would mean paying a premium over Net Asset pany has a history." Value. That would only be worth the candle if the

assets promised significant

swiftly sold on. Neither path looks very certain today. For all the attempts by the leading property agencies to talk up capital values by predicting rental growth round the corner and increased international buying interest, the property market stays, stub-

And institutions are simwell as a few UK institu- bids would themselves prefer ply not interested in adding to property portfolios which return less than gilts but with none of the growth prospects of equities.

Hostile bids for property potential pitfalls than for most sectors. Mr John Griffith-Jones, London managing partner of KPMG Corporate Finance, sums up: "Every building, every com-Property companies may

be asset-based but the fac-tors which give those assets capital growth or could be value differ from asset to asset and are far from transparent. Details of the lease, environmental problems, relations with local authorities over planning permission, tax liabilities; all have a powerful impact on value. They are all unknown to the hostile bidder. He is buying the proverbial pig in a poke. These factors, says Mr



Griffith-Jones: 'Every building, every company has a history'

Griffith-Jones, make takeovers unlikely unless they are actively promoted by the institutions which hold the bulk of the shares not controlled by managers. "They could mop np the sector," says Mr Griffith-Jones, "but there are no signs of them

doing so." Some would disagree. Rag-

lan is one of the smaller will try to bring about this has been frustrated by the tion," he says. institutions' unwillingness to become involved in property company mergers. Market gossip suggests that Rag-tudes. There is at least one lan may have had to abort visible reason wby they more than one takeover might be prepared to accept attempt because an institu- cash hids for their property tion declined to activate its controlling stake.

Now, however, Raglan believes it can detect a slight crack in institutional attitudes. "In our most recent discussions with institutions times when asset values we have found they are at least prepared to listen to our plans for acquisitions," says Mr Keith Holman, into the property sector, director of corporate planning. He is one of those concerned at the profligate waste of resources in the sector. He thinks that to maximise productivity in the sector, the number of property ders in pursuit of a pro-

property companies, with a degree of consolidation - l market capitalisation of lit-doubt it. But I believe they tie more than £40m. It is in a are beginning to see the hurry to grow but until now need for some rationalisa-Mr Holman may be accu-

rate in forecasting a sea change in institutional attishares: for the first time in many years, most are standing at a premium to NAV.

For some, that is not much consolation; their shares were bought in happier were much higher. But the long bull market in shares, which has spilled over even driving share prices to a premium rather than their traditional historic discount. takes away some of the pain.

Even if the institutions fail to swing behind hostile bidcompanies needs to shrink gramme of rationalisation, it from 130 to about 30. "I'm may just be possible to cre-

takeovers, Again, Mr Holman believes the company bas hit upon the germ of an idea: "One reason why property entrepreneurs refuse to agree takeover terms is that they do not want to be cut off from their developments. If we can find a way to give them a continuing interest they may feel able to accept a reasonable offer."

He believes share options may open the door to agreed takeovers. As they increased preneur would feel he was being justly rewarded for his early efforts.

Another solution might be more direct: to leave the original management with a core portfolio of properties which they could either sell on at a profit or use as the basis of a new development company.

Clearly, both ideas would need to be tailored to fit the principles of takeover regulation, but they could help to break the logiam in the sector and lead to much-needed

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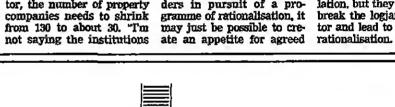
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INTERNATIONAL CAPITAL MARKETS

Signs of restlessness over US rates

GOVERNMENT BONDS

By Edward Luce in London and Lisa Bransten in New York

European and US markets showed signs of increasing restlessness vesterday, with many tradera focusing on the consequences of a possible US interest rate rise at next week's Federal Reserve Open Market Committee meeting in New York.

Spreads oo Italian and Swediab casb bonds again widened over equivalent German bunds while Spanisb bonos retrieved some of

the losses seen this week. German bunda also regained some ground, partly as a result of the closure of the first quarter 10year bund auctions bringing tighter supply.

auctions take place at the would probably result in a Stearns in London.

bond futures rose by 0.19 to close at 101.22.

"The markets haven't yet priced into German bunds the possible effect on German interest rates of recent towards US interest rates and the appreciation of the dollar," said Mr Andrew Bevan, senior bond economist at Goldman Sachs in

London. "The market has not really taken notice of the beneficial effect the weaker D-Mark will bave on tha German

economy," be said. Ten year French bonds also regained lost ground after the Bank of France trimmed intervention rates by 5 basis points to 3.10 per cent - just 10 basis points above German repo rates.

Economists said the recent German five-year bund strength of the French franc European economist at Bear

end of February. German similar 5 basis point cut in the near future. French 10year bond futures closed up

0.30 at 130.54 on Matif. Both Italian and Swedish bonds continued their recent slide on worries about the shifts in expectations strength of the convergence

Statements by the Swedish government denving it was planning to loosen fiscal policy significantly in the wake of concern over recent indications it was planning to boost social spending in 1998 failed to halt the slide.

Ten-year Swedish bonds tightened by 2 basis points to 101 points over equivalent German bunds. "Sweden has reduced its

budget deficit from over 12 per cent of GDP in 1993 to 2.5 per cent in 1996 at no doubt the cost of some social pain," said Mr David Brown, chief

"Any signs that it is planning to relax that tightening are taken amiss by the foreign markets," he said.

Italian BTP March futures closed 0.35 lowar at 131.47 after having lost a point on Wednesday. BTP spreads on the November cash bonds widened slightly to 149 basis points over bunds.

Spanish bono futures closed 0.19 up at 113.63 in Madrid. Spanish markets closed too lata to respond to statements from the meeting between Mr José Maria Aznar, prime minister of Spain, and Chancellor Hel-

mut Kohl of Germany. 'Mr Kohl'a endorsement of Spain's aspirations to join Emu in the first round was less than ringing," said Mr Brown. "It probably won't The March 30-year bond conboost bonos much in trading today.

Long UK gilts rose i to close at 110 1 on Liffe.

Easing fears about infla- investors seemed to be using tionary pressures and a rise in the number of people filing first time claims for unemployment benefits helped US Treasuries firm in

morning trading. Bonds began the morning firmer and then rose further after the Labor Department said new unemployment claims rose by 10,000 last week, when economists had

expected a modest decline. But Treasuries quickly fell off their highest levels of the session. Near midday, the benchmark 30-year bond was & stronger at 95 to yield 6.891 per cent At the short end of the

maturity spectrum, the two-

year note bad risen ± to 993, yielding 6.010 per cent. tract rose ½ to 1093.

Mr John Spinello, govern-

ment securities strategist at changing hands at Y121.55 Merrill Lynch, said some

market gains as selling opportunities. On Wednesday, bonds also jumped after strong demand was shown at the first auction of inflationlinked bonds, before falling

One factor weighing on the markat is next week'6 meeting of the Federal Reserve's open market com-

Few economists believe the FOMC will tighten monetary policy, but many believe the Fed will increase

rates at some point this year. The continued strength of the dollar appeared to lend some support to the market yesterday as it rose to DM1.6650 against the D-Mark from DM1.6434 late on

Wednesday. Meanwhile, it held generally steady against the ven. compared with Y121.80.

CAPITAL MARKETS DIGEST

Mexico may call in Aztec bonds

The Mexican government is considering calling in more than \$2bn in Brady-style Aztec bonds when the bonds coupon is paid on March 30. Now that Mexico has paid off all the \$12.5bn it borrowed from the United States Treasury at the beight of the peso crisis of 1994-95, the administration's attention is turning to refinancing its remaining high-margin debt.

The Aztecs are expensive because US Treasury zero-coupon bond collateral represents almost balf their total value, effectively doubling the margins on the bonds. In recent months, the price of the bonds has moved close to par, in anticipation of a possible call. "It would be very advantageous to the Mexican government to refinance the Aztecs with a new issue," said Mr Richard Segal, bead of emerging markets fixed income research at Santander investment in New York.

"To call the Aztecs would be an attractive operation, as long as we do not have a better use for the resources it would take," said Mr Carlos Mendoza, the Mexican finance ministry's director of public credit, who said a final decision had not yet been made. "But we do not just have the option of a one-off operation (to call the bonds wben the bi-annual coupon is paid). We could purchase tbe Aztecs on the market as well."

Doniel Dombey, Mexico City

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EMICE CROSS RATE:

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DSL taps institutional investors for \$500m

INTERNATIONAL BONDS

By Samer Iskandar

Issuance settled into a slower pace yesterday, after three weeks of hectic activity. DSL launched the largest deal, \$500m of five-year

"DSL wanted to tap a new base of institutional investors," said Nomura, joint issued by foreign borrowers pany, issued L220bn of bonds lead manager with Merrill in the Japanese domestic convertible into ordinary Lynch, "A large size was market. A pricing anomaly necessary to distinguish the in Japan allowed Daiwa to issue from smaller, retailtargeted deals."

Nomura said it believed this aim bad been achieved, with central banks and governmental institutions buying almost half the total. widespread geographical dis- spread of 275 basis points.

tribution. More 55 per cent of the bonds were sold in Asia; UK investors took up 22 per cent, continental Europe 13 per cent, with the remaining 8 per cent guing to the Mid-

Daiwa Europa offered investors DM100m of repackaged Turkisb bonds. The underlying securities are so-called Samurai bonds ~ set the coupon at 81/2 per cent, which offered investors a yield pick-up of 355 basis points over German bunds maturing in 2003. On Wednesday, Turkey issued five-year bonds denominated

"There was a mismatch between the risk premium in Japan and that in Germany," Daiwa explained. Because the Samurai bonds were cheaper than the euromark paper, it was possible to swap yen-denominated cash-flows into D-Marks at a

relatively high yield. Grupo Bipop, a mediumsized Italian financial comshares. The initial transaction was set at L200bn, but was later increased as part of a "greensboe" - an option to increase the amount to fulfil extra demand.

The proceeds, which qualify as Lower Tier II capital. will strengthen the group's It also pointed to the deal's in D-Marks, with a yield capital and help to fund its

New international bond issues US DOLLARS 99,72R Feb 2002 0.25R 98,88R Feb 2027 1.00R 98,96R Feb 2000 0.18R 100.00 Feb 2007 2.50 DSL Bank 1st Maryland Cap (##+(s) +11(61/4%-02) Merrill Lynch/Nomura E D-MARKS 8.50 99,95R Jun 2003 2,25R Turkish Sov Repack Note E SWISS FRANCS STERLING . 99.10 Feb 2000 0.20 Yamaichi Inti (Europe) E DANISH KRONER M ITALIAN LINE. Grupo Bipop(e)§ 100.00 Jan 2003 2.50 SPANISH PESETAS 14bn

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager, #Unlisted, §Convertible, ‡Floating-rate note, R; Fixed re-offer price; less shown at re-offer level, a) 3-mth Libor +65bp, 10yr cell at par, b) Corv price; Bt112, Corv premium; 14,9%, Fixed exchange; Bt/US\$25.87, b1) Callable from 12/2/01-11/3/02 at 121.167, c) For 15.321, Callable from 12/2/01-11/3/02 at 121.167, c) For 1st four years, then 10% less two times 6-mth Libor thereafter, d) For 1st 5yrs, then steps up to 8% for last 3yrs, e) Conv premium;10%. Non-callable for 3yrs; thereafter callable at per plus accrued interest. f) For 1-st 4yrs then 12.6% less 1yr Libor. f) Long 1st coupon, s) Short 1st coupon,

from Banco di Napoli,

Up to 5 years (20) 2 5-15 years (21) 3 Over 15 years (6) 4 irredeemables (5) 5 All stocks (52)

6 Up to 5 years (2)

FT Fixed Interest Indices

November last year Bipop tapped the three-year area of next week, with a meeting acquired 50 bank branches the yield curve, where inves- on Tuesday and Wednesday tor demand has been strong. of the US Federal Reserve's capital and help to fund its In sterling, the Interna- Syndicate officials expect open market commexpansion strategy. In tional Finance Corporation activity to remain subdued weighing on sentiment. Syndicate officials expect open market committee

Thu Day's Wed Jan 30 change % Jan 29

0.08 0.24 0.27

Govt Secs. (URQ 94.37 94.26 94.70 94.53 94.62 95.29 96.34 91.59

121,33 149,25 168,90

Jan 30 Jan 26 Jan 28 Jan 27 Jan 24 Yr ago Hight Low

2.48 2.37 4.08 2.40 2.75

1.96 1.22 1.29

1.09 15 yrs 1.00 20 yrs 1.00 lired.†

Up to 5 yrs Over 5 yrs

Vields are shown above. Coupon Bands: Love 0%-74%: Medium: 8%-10%%: High: 11% and over, it Fix yield, vid Vest in tiste

FTSE Actuaries Govt. Securities

149.67

Portuguese bond index

J.P. Morgan is to launch a Portugal Government Bond index, reflecting growing international interest in a market where foreign ownership of government debt has risen dramatically over the past year. Mr Kurt F. Viermetz, vice-chairman, said the index, due to be added to J.P. Morgan's group of 18 government bond indices within two months, would be based on daily bond pricing data supplied by Banco Espirito Santo, one of Portugal'a leading financial groups.

Foreign ownership of Portuguese government debt umped from only Es31.5bn in 1995 to Es665bn (\$4bn) last year as a result of the growing liquidity and maturity of the country's bond market. Since 1993, Portugal has introduced regular auctions of 10-year securities, over the counter trading and a derivatives market offering bond futures, Government officials expect the inclusion of Portugal in the J.P. Morgan family of indices, the most widely used performance indicators for guvernment bond markets, to lead to a further sobstantial increase in Peter Wise, Lisbon foreign portfolio investment.

Five-year gilts in demand

7.16 6.88 7.69 7.69 7.76 7.80 7.84 7.90

Jan 30 Jan 29 Yr. ago

Gilt Edged Activity Indices

3.17 2.46 3.59 3.57

The Bank of England's gilt auction yesterday saw heavy demand for the five-year stock, with nearly four times the total of £1.5bn being bld. The auction was covered 3.82 times, with no yield tail or price tall - meaning the lowest yield and price bid were equal to the average yield and price bid - for the gilt, maturing in 2002 and paying a seven per cent coupon. Richard Adams, London

— Low coupon yield — Medium coupon yield — High coupon yield — Jan 30 Jan 29 Yr. ago Jan 30 Jan 29 Yr. ago Jan 30 Jan 29 Yr. ago

7.19 7.23 6.92 7.22 7.67 7.70 7.73 7.57 7.73 7.75 7.83 7.59

--- Inflation 10% ----Jan 30 Jan 29 Yr. ago

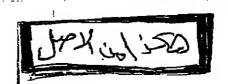
Jan 29 Jan 28 Jan 27 Jan 24 Jan 23

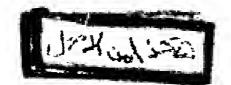
81.1

111.2 76.7

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Mance BTAI		10/01 10/06	104,1849 106,3700	+0.040			70 Italy							
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NI Finance 54 99 650	9832	9812	410	6.19	Enly 3 ¹ 2 01 300000 Enly 5 04 200000	108 ¹ 8	103-3		1.58	Commercials O/S Fin +1 98	- 750	99.83	99.91	5.3750
Inter-Armer Dev 8 ¹ 8 05	951 ₂ 1033 ₃	95% 100%		6.91 6.94	Baly 5 04 200000	116	11B ¹ 4		2.46	Oresther Finance & 98 DM	- 300	99.16	98.61	5.7500
Inter-Amer Dev 7 ¹ 2 05 500 Int Finance 5 ¹ 4 39 500	9812	984		609	Japan Dev Bk 5 98 100000 Japan Dev Bk 6 2 01 120003	122	1103 1224		0.90	Fed Nat Mon - 00	1000	00.00 08.99	100.05 98.92	3.1875 5.3125
Italy 6 00 2000	954	97		672	SNCF 63 00	1171g	117%		1.08	Finland 1 99 Halfox 95 0 98	1500	99,97	100.04	5.3750
traty 6% 23 3500 Japan Dev 9k 8% 01 500	93 ¹ 8 106 ¹ 8	931 ₂ 1063 ₈		7.61 6.60	Spain 5% 02 125000 Sweden 4% 98 150000	1191 ₂ 1044	1194 1044		175	M Bank Inti 14 89		m10	111118	5.5469
Karea Bec Power 83 00 1350	9514	965		7.20	World Stank 514 02 250000	1174	117%		0.52 1.54	Italy & BD	1500	100 41 100 44	100.50 100.50	5.7500 5.6250
	102	102%		878		•	•			taly 19 98 Ecu	1500	0024	100.31	4.2481
Ontano 7 ³ g 03	103	100 ¹ 4 105 ¹ 8	ᄲ	6.87 6.78	OTHER STRAIGHTS EB 71 05 LFT					LKB Barten-When Fin -16 98 . Lloyds Barte Perp S 0.10		99.92	99.98	5 4375
Oster Kontrolloank 812 01 200	1064	107	41g	6.56	Rabotzenk Neclertd 614 04 LFr 3000	11214	1134		6.23	Motorysta & 05		89.25 99.82	90.25 100.00	5.8295 5.8875
Portugal 54 (3 1000	95 ¹ a 105	95 8	+1	6.77	Austria 6 ¹ 2 99 FT 1000	105%	10613		3.74	Nova Scotta 1 99	- 500	99.99	100.08	5 6875
Ouebec Hydro 94, 96	1027	105 ¹ 4 100 ¹ 4		6.44 6.37	PTT Nederland 6 ¹ / ₂ 08 FI 1300 Bell Canada 10 ⁸ / ₈ 99 C3 150	1043	104 ¹ 2 112%	ıl.	588	Portugal & 99 DM	2500	100.16 100.32	100.23	5.5000
SAS 10 99 200	105 ¹ 4	105 ¹ 2	$1^{\mathbf{g}}$	6.66	British Columbia 7 4, 03 CS 1250	1073a	1075		5.06 643	Charles Harles C 40		99.75	100.37 93.91	3.1875 5.5936
SNCF 91 ₂ 98 150 Spain 61 ₂ 98 1500	1043g	104% 100%	٦.	625 622	Canada Mag & Hog 814 99 CS . 1000	107%	10818		492	Rents 0 98	. 500	99.74	100.00	5.4375
Sweden 6 ¹ 2 03	2912	997	4	621 671	BB 10 ¹ 2 98 C\$ 130 Bec do Francu 9 ³ 4 99 C\$ 275	1111	106% 111%	-lg	4 01 5.01	Rente 0 98 Spain -1's 02 DW State Bx Victors 0.05 98	2000 1	11110 00.00	1111117 100.12	3.1875 5.7219
Tennessee Valley 6 00	987	8948		6.44	NWY Int Fin 10 01 CS	1147	1154	7	5.81	Gweden +1 ₆ (01	2000	99.96	100.08	5.3750
Termesage Valley 6 ³ 8 05 2000 Tokyo Bac Power 6 ³ 8 00 1000	974 974	971 ₂ 98	ᆌ	6.93 6.55	Nppon 1el Tol 10 ¹ 4 98 CS 200 Ontano 603 CS 1900	1125g	113 1087 ₂	.1	5.14	Unned Kingdom -1 ₈ (h	2000	99.84	99.89	5.3125
Toyota Motor 53 98 1500	381 ³	994		6.08	Ontano 603 CS 1500 Ontano Hydro 107 98 CS 500	11212	11253	+38	638 4.71	CONVERTIBLE BONDS				
United Kingdom 63 01		10114	1	6.44	USTON Kombolibanik 104 99 CS 150	11218	11218	٠Lg	493		Co	M.		,
Walt Deney 63, 01 1300	10312 10312	100°E	1	851 6.72	Quebe: Hydro 7 04 CS 1000 Quebe: Prov 10 ¹ 2 99 CS 200	110 110	101% 110%	+4	6.83 4.65			ice I	BLI Offer	Press.
World Bank 63 05	8712		+16	6.88	Counce Europe 9 01 Eau	11614	11612	,Jg	508	Alliad-Lyons 6% 08 £ 210	200 6		93 .94	+33.74
World Bank 83 98 1500	10614	106 ¹ 2		596	Oredit Fonder 8 ³ g 04 Ecu 1000 Dommark 8 ³ g 02 Ecu 1000	113		-12	6.07	Gold Kalgoorte 71, on	65 1		25 <u>1</u> 83 ¹ 2 107 108 ¹ 4	-8.95
DELITSCHE MARK STRAIGHTS					EC 6 00 Ecu 1100	105%	115 ¹ 4 106 ¹ 2	₽12	5 17 427	Grand Metropolism Rin no	740 4	37 11	42 11532	
Austria 6 ¹ 2 24 3000 Bacters-Wuertt L-Pingnos 6 98 _ 2000	96°g	96% 1054	,lg	6.77 3.72	EB 10 01 Ecu 1150	1171	11712	٦,	5.10	Hong Kong Land 4 01 Land Secs 64 02 2	410 31		2 924	-8.14 -0.43
Credit Foncer 214 03 2000	109 ¹ 8	109	7,	5.44	Finland 8 ¹ 2 07 Ecu 750 ltdv 9 ¹ s 11 Ecu 2500	1744	117 ¹ ց 125 ¹ ց	ᄮ	6.21				ilo 1744o Silo 98ilo	-0.43
Densmark 83 ₈ 99 2000	103 ¹ a	1034	-4	343	Mary 10-4 00 Ecu	116	118 ³ 8	4	6.51 4.59	MEL Int Fin 3 02 2 Miles Bank 2*s 00	MOO.	22 9	75 ₉ 98 ¹ 8	-B.12
Depta Finance 6 ² g 03 1500 Deptate Bk Fin 7 ¹ 2 03 2000	104-k 110	1047 1107	14 14	550	United Kingdom 9 ¹ e 01 Ecu 2750 AIDC 10 98 AS 100	1071.	115%	4	4.76	Direction 6 (D)	ac .	25	76 78	
Deutsche Finance 54, 04 2500	1013	102	+4	5.42	Comm Bk Australia 134, 99 AS _ 100	116 ¹ a		واد ولاد	650 683	Person 44 C3	500			
	106% 106%	107 106 ¹ 2	ᄲ	4.10	EB 14 99 AS	104	10412	وّله	6.10	Sandoz Capital 2 02	750 1302	26 107	3 1084	+15,62
Firland 7 ¹ 2 00	109	1981	7	4.02	R & Bank 7 % 03 AS 125	76 ¹ 4 101-1	165g 102	4. 4.	7.96 7.38	Septem 13- 00 46			14, 624 14, 1014	+16.45
	103%	104	.1	3.35	State 5th NSW 9 02 AS 300	107	10714	ولب	142	Surnitomo Bank 31, 04	300 360	69.	90 91	٠.
	103 ¹ 8 103 ³ 1	103 ¹ 4 103 ¹ 4	44	3.34	Sth Aust Govt Fin 6 02 AS 150 Uniter Australia 12 98 AS 150	107 1061s	107 Jg	<u> 1</u> 2	7.42	Temperaturity History St. 00 C	155	3.9 121	1227	4925 +8.65
Ontano 64 04 1500	103 ¹ 2	10334		563	Western Aust 1ross 7%, 99 AS 100	101 🖟	100%	4	6.12 6.14	t Citie one market makes are	autonom etca	70 mm -		
STRAIGHT BONDS: The yield is the yell	d to red	lempko*	of the	bid-pr	tos; the amount issued is in millions of ea indicated. Coupon shown is manner.	MANCO :	-	-						1.
C The						4000	-0.0	- 623 H	30.40	Confine reflected areas south as a second	Barrer -	ndali est		dollare.
CONVERTIBLE BONDS: Donominated	n dalar	unioss	other	MOD INC	icated. One prose-Nominal amount of be	and per	stant es		a 1					





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ELANT NEVE

By Graham Bowley The pound dropped sharply in late trading on the foreign exchanges yesterday, reigniting speculation that the UK currency's recent period of strength may have come to

MARKETS REPORT

The pound's drop followed sharp falls last week as tradview that a UK interest rate rise was unlikely before the general election.

But analysts were puzzled by the pound's latest France cut its intervention to 95.2. declines yesterday. They rate unexpectedly to 3.10 per linked it to uncertainty election, which must take US investment funds and to central bank. the weakness in the dollar. They said reports that Japanese companies inward investment strategies might change if Britain stayed out of European monetary union could also have unsettled foreign holders of the pound.

POUND SPOT FORWARD AGAIN

Sterling plummets as US dollar weakens The dollar weakened after het, governor of the Bank of commeous by Mr Eisuke Sak- France, said the Bank had were interpreted as indicat- soon. ing that Japan might inter-

US currency. European currencies on the trading. back of the dollar's decline. ers continued to take the The Italian lira, however, ended at \$1.6145, down remained stable after volatility in recent sessions.

The French franc weakabout the approaching UK lysts said the reduction might signal a softer stance place by May, to selling by on monetary policy by the But Mr Jean-Claude Tric-

JEU 30	· ··Latest	Prev. close
£ spor	1.6085	1.6206
1 mtb	1.6076	1 6196
3 mth	1.5056	1.8178
1 yr	1.5965	1,6084

Day's Mid high low

akibara, an official at the no plans at this stage to Japanese fioance ministry, change rates again any time

Sterling eoded London vene soon to halt the yen's trading at DM2.6468, dnwn recent decline against the more than I pfennig on the previous close. But it The D-Mark recorded dropped another plennig and slight gains against other a half to DM2.63 in later

almost half a ceot, before dropping to \$1.607. On a trade-weighted basis, eoed after the Bank of the pound slipped from 95.6

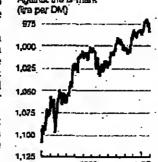
The Thai baht came under cent from 3.15 per cent. Ana- renewed pressure amid in London. rumours that it might he US dollar since late last

> surprised currency analysts yesterday.

"I do not think it is justified that sterling should have fallen so fast," said Mr the pnund. He said that

Against the D-mark

CURRENCIES AND MONEY



Tony Norfield, at ABN Amro

Sentiment has turned been dropping against the signs of weak retail sales over Christmas and following the decision by Mr Kenneth Clarke, chancellor, to ■ The pound's sudden fall leave interest rates unchanged this month.

But Mr Brian Marber, the London-based technical analysts, is more positive about despite the currency's recent for the dollar's declines yesset-backs technical factors terday, analysts said. suggest it still has support.

"It has not dooe what it with remarks by Mr Robert has in the past when it has neared a peak, which suggests that so far we have not

seen the highs," he said. The UK's National Institute of Economic and Social Research enters the UK increasingly nervous. interest rate debate today.

It warns in its latest quarterly review that the strong a great deal of confidence pound is doing a lot of damage to the UK economy, making an interest rate rise unnecessary. It predicts that the government will have to

devalued. The currency has against the pound since Comments by Mr Sakakibara were the main trigger

raise taxes as slower growth

hits tax revenues.

E OTHER CUP

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Lests Rp 44,8450 - 44,9039 27,7850 - 27,8080 Hungary 274,380 - 274,814 170,000 - 170,050 Inn 4844 70 - 4842,00 3000,00 - 3000,00 (Numat 0.4881 Pc 4882 - 2,8000 - 3,0027 Poland 4842 0 - 4,8528 2,0000 - 3,008 Russa 9094,88 - 9101,58 5635,00 - 5635,00 UAAE 5,9242 - 5,9323 3,6705 - 3,6735

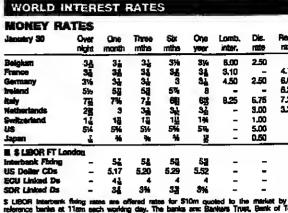
His comments coincided Rubin, US treasury secretary, who repeated US policy that a strong dollar was in

the interests of the US. Mr Norfield said currency markets were becoming

"There is a fear of policy moves. Markets do not bave with the levels we have reached," he said.

Attention is now turning to the G7 summit in Berli at the end of next week. Mr Mark Cliffe, intern

tional economist at HSB Markets in London, said "The backdrop to this sun mit is very different to las year's. There are signs that the dollar is slipping out of control. Last year, policy makers were broadly happy with the dollar's gradua appreciation. But now then are increasing signs of ter sion between Germany, US and Japan."



Jen 30	Short	7 days notice	One	Three	Sbr months	One
Belgian Franc Denish Krone D-Mark Dutch Guilder French Franc Portuguese Esc. Spanish Pleasta Sterling Swiss Franc Can, Doller Italian Lira Yen Asian SSing Short term rates is as THERESE MO		7		210 - 216 216 - 216 hers: Neo day		3½ - 3½ 3½ - 3½ 3½ - 3½ 3½ - 3½ 5½ - 5½ 5½ - 5½ 6¼ - 6½ 13½ - 3½ 5¼ - 6½ 13½ - 5½ 6¼ - 6½
		orice Chan				Open Int
Mar 96.					30,489	89,330

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	96.72	96.75	+0.05	96.77	96.72	30,489	69,330
Jun	96.75	96.79	+0.05	96,80		12,505	47,005
Sep	96.71	96,74	+0.04	96.77		7,628	35,294
e ned	EE MONTH	EUROMA	RK FUT	RES (LI	PFE" DM1	m points of	100%
	Open	Sett price	Change	High	Low	Est. voi	Open int.
Mar	96.88	96.88	+0.01	96.88	96.87	17115	208454
Jun	96.86	96,87	+0.02	96.88	98.86	23741	182811
Sep	96.79	96.79	+0.02	96.80	96.78	26573	152635
Dec	96.60	96.62	+0.03	96.64	96.60	19438	155898
E ONE	MONTH I	UROMARK	FUTUR	E\$ (LUFF)	DM3m p	coints of 10	0%
	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Feb	96.87	96.87	+0.01	96.87	96.87	145	12647
Mar	96.87	96.87	+0.01	96.88	96.87	460	14270
Apr	-	96.90	+0.01		-	0	767
May	-	98.90	+0.01	-	-	0	3812
	E MONTH	EUROLIR	A FUTUE	UFF	Æ)" L1000r	n points of	100%
	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	93.20	93.12	-0.03	93.22	93.09	26500	94281
Jun	93.70	93.84	-0.04	83.75	93.60	17297	69584
Sep	94.08	83.97	-0.04	94.08	93.95	5301	43320
Dec	94.24	94.15	-0.04	94.24	84.14	3053	31231
n THE	E MONTH EL	THO SYMBS	PRANC FU	FURES (JFFE) SFr1m	points of 10	0%
	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.23	98.23	+0.03	98,24	98.20	4870	36592
Jun	98.15	98.20	+0.06	98.20	98.15	6311	22018
Sep	98.05	98.07	+0.05	98.08	98.03	1903	10956
Dec	97.83	67.85	+0.04	87.85	97.81	609	5968
E THRE	E MONTH	EUROYE	FUTUR	ES (LIFF	E) Y100m p	points of 10	10%
	Open	Sett price	Change	High	Low	Est vol	Open Int.
Маг	-	99,48	+0.01	-	-	0	n/a
Jun	-	99.43	+0.01			Ď	n/a
Seo		99.34	+0.02	-	-	0	n/a
■ THRE	BE MONTH	ECU FUT	URES (LI	FFE) Ecu	1m points	of 100%	
	Open	Sett price	Change	High	Low	Est. vol	Open int
Mar	95.99	96.00	+0.02	96.00	96.88	818	9804
Jun	96.04	96.04	+0.02	96.05	96.02	563	6286
Sep	66.03	98.04	+0.03	96.04	96.01	146	4177
Dec	95.95	95.95	+0.02	95.95	95.94	131	4774
· LIFTE W	LIRA OPT	ded on APT					
Strike		CAL				PUTS -	
Price	Me			Sep	Mer	Jun	Sep
8300	0.2	3 0.7		.09	0.11	0.10	0.12
9325	0.10			UB9	0.23	0.15	0.17

1.3663 -0.007 656 - 669 1.3766 1.3644 1.3644 1.8143 -0.0049 138 - 147 1.8878 -0.004\$ 671 - 884 2.1748 -0.0001 737 - 759 12.6557 -0.0392 473 - 640 1.8145 -0.0049 140 - 146 1.6268 1.5131 1.7005 1.8994 2.1904 2.1721 2.1695 2.6 2.1586 2.9 2.0996 3.4 12.7573 12.6467 12.7573 1.6270 (AS) 2,1103 +0.0086 080 - 115 (HKS) 12,5096 -0.0282 053 - 138 (Ps) 57,5285 -0.1434 619 - 811 (Sht) 5342 -0.0154 378 - 505 (V) 198,543 -0.0864 424 - 683 (MS) 4,0135 -0.0284 118 - 151 (NZS) 2,3403 -0.0082 388 - 418 2.1243 2.0908 2.1116 -0.7 12.6026 12.4919 12.5023 0.7 58.3850 57.8800 -2.1123 -0.4 2.1119 -0.1 5,3754 5,3364 Japan Malaysia New Zealand 198,250 198,260 195,613 5.7 4,0512 4,0108 -2,3552 2,3337 2,347 -3.5 199,758 5.7 185.343 5.7 2347 -9.5 23585 -28 23779 -1.6 113

	ine mo	MPA	Three n	MPA	One ye		ank of ng. Index	Jan 30		Closing mid-point	Change on day	Bid/offer soved	Day's	mid low	One me	SEPA	Three ro	%PA	One year	J.P 1	
		_					-	Europe								-					-
1	.5618	2.8	18.5253	21			194,1	Austria	(Sch)	11.5366	-0.0284	343 - 389	11,5850	11.5155	11.5219	1.5	11,4756	2.1	11.2816	22	103
5	A916	2.7	54,2269	29	53,0319	2.9	104.2	Belgum	(BFn			100 - 500	33,9840	33,7500	33.77	2.1	33.6425	2.2	33,1025		
1	0823	2.4	10.0416	2.4	9.8628	2.4	106.3	Derymark	(DKn	6.2574	-0.0151	564 - 584	6.2880	6.2455	6,2485	1.7	6.2301	1.7	6.1484		
	-		_		-		84.2	Prient	EM			700 - 750	4.8840	4.8675	4 8637	22	4.8449	2.3	4.7625	2.3	
	9123	2.8	6.8708	2.6	6 6658	3.0	107.1	France	(FF6	5.5331		325 - 337	5.5550	5.5220	5.5248	1.6	5,5068	1.6	5.4311	1.8	
	.6403	2.9	2.627	3.0	2.5822	32	106.1	Germany	DIO	1,6394		391 - 337	1.6485	1,6363	1.6365	2.1	1.6305	2.2	1.6058	2.1	
							66.8	Greece	(Dr)			190 - 290	259,080	256,730	258,795	-7.3	261.265	-6.4	272.39	-5.9	
	D115	0.4	1.0105	0.5	1.004	8.0	102.2	traland	(20)	1.5958		950 - 965	1,6050	1,5915	1,5954	0.3	1 595	0.2	1.5921	0.2	
	02.64	-1.5	2805.19	-09	2593.34	0.2	77.6	Italy	a)	1610.20		960 - 080	1620.54	1606.00	1612.93	-2.0	1616.1	-1.5	1516.98	-0.4	
	4819	2.7	54.2269	29	53.0316	2.9	104.2	Luxembourg	CLFn			100 - 500	33.9840	33,7500	33.77	3.1	33 6425	22	33,1025	22	
	9653	3.1	2.9498	3.1	2.8763	33	104.1	Netherlands	Œ.	1.8416		413 - 416	1.8511	1.8379	1.8378	2.5	1.8298	26	1.7942	2.6	
	4978	1.4	10.4776	1.2	10.3726	1.3	104.1	Norway	ONK			080 - 120	6.5589	6.4875	6.5062	0.7	8.5006	0.6	6.475	0.5	
	5.236	-0.9	265,708	-0.B	1000.20	.~	85.4	Portugat	Œs			180 - 280	184,660	163,920	164,435	-1.5	164,73	-1.2	165.505	-0.8	
	23.48	0.0	223.26	04	220,665	12	78.B	Span	(Pto)	138,425		410 - 440	139,420	138,220	138.523	-0.6	138.535	-0.3	137,755	0.5	
	6914	1.8	11,6489	2.2	11,4374	2.3	86.4	Sweden	ISKA	7.2535		497 - 572	7,2965	7.2327	7.2507	0.5	7.2409	0.7	7.1935	0.8	
	2925	4.2	2.2772	4.0	2,2058	4.1	102.9	Switzerland	(SFr)			245 - 254	1.4300	1,4201	1.4212	32	1,4134	3.3	1.3805	3.1	
	2000		22	7.0		٠	95.2	UK	50	1.6145		140 - 149	1,6270	1,6133	1.6136	0.7	1,5117	0.7	1.6027	0.7	
	3644	1.7	1,3599	1.8	1.3385	2.0	202	Ecu	14	1.1817		614 - 819	1.1840	1.1790	1,163	-14	1.1862	-1.5	1,2027	-1.8	
		1.7	12080	1.0	12202	2.11		SDRt	-	0.71960	-0.0023	G14 - 61A	1.1040	1.1120	1,103	~1,4	1,1002	-1-3	1,2112	-1.8	
	•	•	•	•	•	•	•	Americas	-	0.7 1908	•	•	•	•	•	-	-	•	•	-	
									(Peso)	0.9999		999 - 999	0.9999	0.9999							
	-	•	•	-	•	•	•	Argentina Brazil	(PS)						-	-	-	•	_	-	
	1606		0.500		2,0998		***	Canada		1,0454	+0.0003	458 - 474	1.0456	1,0451					4 0100	~ ~	
•	.1696	2.6	2,1588	29	2.0000	3.4	86.6		(CS)	1,3471			1,3485	1.3450	1,3447	2.1	1,3397	22	1.3122	2.5	
	~			.:	4 4007				w Poso)	7.8360	-0,000	360 - 420	7.8430	7,8380	7,957	-1B.1	8.2235	-19.8	9.∆84	-15.0	
	E 138	0.7	1,6117	0.7	1.6027	0.7	103.1	USA	(5)		•	-	-	•	•	-	•	-		-	10
								Pacific/Midd													_
	1116	-0.7	21123	-0.4	2.1119	-0.1	94.7	Australia	(AS)	1.3071		067 - 075	1.3087	1.3057	1,3098	-1,4	1.3105	-1.0	1.316	-0.7	9
į	.5023	0.7	12.4885	0.7	12,4238	0.7	-	Hong Kong	0 14657	7.7485		480 - 490	7.7490	7,7428	7.7484	0.0	7.7489	0.0	7.76	-0.1	
	-	•	•	•	•	-	•	India	(Ps)	35,8800		500 - 100	35.9170	35.8470	26,065	-7.2	36.555	-7,5	•	•	
		-	-	•		•	-	lerael	(Shiri	3.3102		072 - 132	3.3141	3.3012				-		-	
Ŀ	5.613	5.7	199,758	5.7	185.343	5.7	122.8	Japan	m	121.740		700 - 780	122,610	120.030	121.265	4.7	120.26	4.9	116.06	4.7	
		-		•		-	•	Malayala	(MS)	2.4850		856 - 883	2,4987	2,4805	2.4889	-1.4	2,4943	-1.3	2.5155	-1-2	
	2.347	-9.5	2.3565	-28	2,3779	-1.6	113.9	New Zealand	(NCS)	1.449B		491 - 501	1.4505	1.4478	1,4551	-4.8	1.4594	-2.7	1.4909	-28	
	-	-		•	•	•	•	Philippines	(Peso)	26,3450		100 - 800	26,3810	26.3100			-	•		•	
	•	•	-		•	-	•	Saudi Arabia	SP	3,7504		502 - 505	3,7507	3,7501	3,7506	-0,1	3.7511	-0.1	3,753	-0.1	
		•	•	•	•	•	•	Singapore	(22)	1.4075		071 - 07B	1.4083	1,4870	1,4053	1.8	1,4007	1.9	1,3795	2.0	
	-	•	-	-	•	•	•	South Africa	(FI)	4,5850	+0,0025	635 - 665	4,5690	4.5570	4.8057	-10.7	4,6807	-10.1	4.9955	-0.4	
	•	•	•	-	•		•	South Korea	(Mon)	884,750	+5.25	600 - 900	885.DOO	859,200	-	-	-	•	-	-	
	-		-	•	•	-		Taiwan	(12)	27,4400	-0.005	200 - 600	27,4680	27,4140	27,4401	0.0	27.4403	0.0		-	
		-		-		•	•	Theiland	(Bt)	25.9590	+0.072	540 - 640	26.0000	25.B400	26,049	-4.2	26,2165	4.0	26.854	-34	
1.	-	15 15	and roles and 190 & 100, 1 5. Some vel	refer refer	V2/9	D. Bid.	Ofer and	† SDR ride per quoted to the a 29; Base aver	market by	are impli											

CROSS	RALL	S A	AD DE	INUVA.	1112		_	_	_		_	$\overline{}$		-			_	$\overline{}$
EXCHAN	IGE C	ROS	S RAT	ES														
Jan 3	0	BFT	DKr	FFr	DM	_XC_		Ħ	NKr	Es	Pte	SK	Sfr	£	C\$	- \$	Y	Eçu
Belglum	(BFr)	100	18.49	16.35	4.846	1.853			19.24	485,4	409.2	21.44	4.213	1.831	3.982	2.857		2.501
Denmark	(DKr)	54.08	10	8.845	2.621	1.002	2574		10,41	252.5	221,3	11.59	2.278	0.990	2153	1.595		
France	(FFr)	61.14	11.31	10	2.963	1,133	2911	3.328	11.77	296.6	250.2	13.11	2.578	1.119	2.435	1.808		
Germany	(MO)	20.63	3.818	3.375	1	0.382			3.971	100.2	84,44	4.424	0.888	0.378	0.822	0.610		
Ireland	(121)	53.97	8.960	6.827	2.616	1	2569		10.39	262.0	220.8	11.57	2.274	0.968	2148	1.596		
Italy	(L)	2.101	0.388	0.344	0.102	0.039	100.	0.114	0.404	10.20	8.598	0.450	0.089	0.038	0.084	0.062		
Netherlands	(F0)	16,37	3,397	3.005	0.890	0.340	674.5		3.535	89.17	75.18	3.936	0.774	0.336	0.732	0.543		
Norway	(NKr)	51.97	9.610	6.500	2.519	0.963	2474		10	257.2	212.7	11,14	2.189	0.951	2.068	1.537		
Portugal	(Es)	20.60	3.810	3.370	0.996	0.382	960.8		3.965	100.	84.31	4.417	0.868	0.377	0.820	0.806		
Spain	(Pta)	24.44	4.519	3.997	1,184	0.453	1163		4,702	1186	100.	5.239	1,030	0.447	0.973	0.723		
Sweden	(SKI)	46.64	8.625	7.629	2.260	0.864	2220		8.975	226.4	190.9	10	1.965	0.854	1.857	1.379		
Switzerland	(SFr)	23.74	4.389	3.882	1.150	0,440	1130		4.568	115.2	97.13	5.089	1	0.435	0.845	0.702		
UK	(2)	54.62	10.10	8.933	2.647	1.012	2600		10.51	265.1	223.5	11.71	2.301	1	2.175	1.815		
Canada	(CSI	25,11	4.644	4.107	1.217	0.465	1105		4.832	121.9	102.a	5.384	1.058	0.450	1	0.745		0.628
US	(35)	33.82	6.254	5.631	1.639	0.627	1810		8.508	164,1	135.4	7.251	1.425	0.816	1.347	1	121.7	0.846
Japan	(1)	27.80	5.140	4.546	1.347	0.615	1323	1,613	5.349	134,8	113.7	5.959	1.171	0.509	1.107	0.822		0.685
Eou		39.29	7.384	6.540	1.938	0.741	1903		7.694	184.1	163.8	8.572	1.684	0.732	1.592	1.182	143.9	1
Denish Kroner,	French Fr	anc, Norv	wegian Kro	ner, and S	weden	Kronor p	or 10; Be	igien Franc.	Yen, Esc	udo, Lira	and Pess	2s. per 100	1					
D-MARK	FUTURE	S OMM	DM 125,	000 per l	DM					APANE	SE YEN	FUTURE	8 (MM)	Yen 12.5	per Ye	100		
	Open	Latest	Change			gw E	SIL VOI	Open inc.			Open	Liphosi	Change	High		OW	Est. vol	Open In
	•	0.6106	-0.0003	-		1082	27.414	82,688	Mar		0.8244	0.8257	+0.0007	0.832	O.E	205	23.818	73,988
	.8102 .6152	0.5147	-0.000	0.615		145	119	5,164	Jun		0.8370	0.8365	+0.000			3361	287	2,599
Jun D		0.8187		3.012		150	116	2.163	Sep		0.8478	0.8475	+0.0007			475	188	836

	Open	Latest	Change	High	Low	Est. vol	Open in
Mar	0.8102	0.6108	-0.0003	0.8129	0.6062	27,414	82,688
Jun	0.6152		_	0.6152	0.6145	119	5,164
Sep	-	0.6187	-	-	0.6150	116	2,163
E SWIL	SS FRANC	FUTURES	(IMM) SFr	125,000 p	er SFr		
Mor	0.7045	0.7031	-0.0022		0.7022	19,155	47,861
Jun	0.7110		-0.0013		0.7100	108	2,580
Sep	0.7175	0.7175	-0.0013	0.7175	0.7173	11	2,014
UK	INTERE	ST RAT	res				
LONI	ON MO	ONEY R	ATES				
Jan 30		Over- night	7 days notice	One	months	months	One year
Starling Treesury	Bills ·	7 · 57 ₈	61 ₈ - S	64 - 64 518 - 54 513 - 588	64 - 6	612 - 612 613 - 614 613 - 613 613 - 614	
Discount	Merket dep	8 6 - 54	8 - n.d	_			
INC clear	tna bank be	se landing ri	ate 6 per e	cent from (October 30	, 1906	
	•		Up to 1	1-S	3-6 months	6-9 months	9-12 months
rd	7ax dep. (Σ	100.000	212	5l ₂	5	5	44
Certs of T Ave. tend up day Ju	er rate of class in 31, 1997. A	r \$100,000 is count on Jen 2 ligreed rate for od Jen 1, 1997 c from Jen 1.	period Fet 7 to Jan 31,	- CO 1007 -	Mar 35 10	107 Scheme	mos. Make a Ni 7.86pp. manos
					-		10004
		STERLEN				points of	100% Open Int
	Open	Sett price		High	Low	Est. voi	Open Int
a tier		Sett price 93.63		High 93.65	93.62	11684	Open Int 101139
	Open	Sett price 93.63 93.38		93.65 93.40	93.62 93.36	11684 9840	Open Int 101199 105473
Mar	Open 93.65	Sett price 93.63		High 93.65	93.62	11684	Open Int 101139

Strike Price 9350 9375 9400 Est. vol. istal,	Mar 0.17 0.03 0 Calle 8786 Po	CALLS Jun 0.12 0.04 0.01 1090. Prev	Sep 0.13 0.06 0.01 four day's t	Mar 0.04 0.15 0.37 open int., Cal	- PUTS Jun 0.24 0.41 0.63 Is 192516 Put	Sep 0.48 0.66 0.96 n 140920
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	_				_
	BA	SE LENDING	_		94
	%		% 000	Royal Bk of Scotland	-
Adam & Company	6.00	Duncan Lawrie	7.00	eSinger & Friedlander	
Allied Irish Bank (GB)	6.00	Exeter Bank Limited		Smith & Wilmen Sacs	
Offensy Ansbacher	6.00	Financial & Gen Bank	7.00	Scotish Widows Bank	
Bank of Baroda	6.00	eRobert Flerring & Co	6.00	TS8	6.00
Banco Bibeo Vizicaya	6.00	Gunnaes Mahon		United Bank of Kuweit	6.00
Bank of Cyorus	6.00	Habib Bank AG Zurich	6.00	Unity Trust Bank Pic	
Bank of freiend	8.00	eHambros Bank		Western Trust	6.00
Benk of India	6.00	Heritable & Gen inv S	6.0	Whiteeway Laidlew	6.00
	6.00	et III Samuel	6.00	Yorkshire Bank	6.00
Bank of Scotland		C. Hears 6 Co			
Bardaya Bank	5.00	Hongkong & Shangha	72 99 070	Members of London	3
Brit Bl. of Micd East	6.00	Investoc Bank (LIK) La	6.00	Investment Barding	
		Julian Hodge Bank	0.00	Association	
Citiberik NA	6.00	CLeopold Joseph & Sons	0.00	* In administration	
Clydesdale Bank	00.8	Lloyda Bank	6.00 6.00	HI GLE IN MARKET	
The Co-operative Bank	6 .00 ·	Midland Bank	8.00		•
Counte & Co	6.00	NatWestminster			
Conna Provider Bank	6.00	eRea Brothers	B.00		

	4.1 163.8 Lira and Pess	8.572	1.684	0.732	1.582	1.182	143.9	1
· CHURCH	CES SEN SAME	- per 100.						
JAPA	HESE YEN	FUTURE2	MM)	en 12.5	per Yer	100		
	Open	Lydesi	Change	Higi	h 1	DW 1	Est. vol	Open k
Mar	0.8244	0.8257	+0.0007	0.832	8.0 05	205	23,818	73,988
Jun	0.8370	0.8365	+0.0006	0.837	73 0.8	361	287	2,599
Sap	0.8478	0.8475	+0.0007	0.847	78 O.E	475	188	836
STER	LING PUTU	RES (MA	7 282,50	3 per C				
Mar	1.8194	1.5174	-0.0020			122	8,850	33,578
Jun	1.6120	1.6160	-0.0008			120	57	2,329
Sep	-	1.6120	-0.0012	-	1.6	130	2	1,038
EMS !	EUROP	EAN C	URRE	NCY	UNIT	RA	TES	
Jan 30	Ecu o	en. Ri	ate *	Change	96 H	- trom	% spree	
	rate	s again	et Ecu	on day	Cen	TEEB	v weeks	
ireland	0.7987			0.00012		.03	9.50	47
Portugal			5.106	-0.07	-	.16	2.99	8
Finland	5.854			-0.0144		.OB	2,89	7
ttaly	1906.		10.05	-82		119	1.61	-1
Spain	163.8		4.523	-0.22	_	1.43	1.37	-3
Notheria				+0.0005	-	1.82	0.97	-6
Germany				+0.0007		.15	0.84	-11
Belgium	39.71		1832	+0.028		.17	0.62	-5
Austria	13,54		.7077	+0.008	-	.1B	0.82	-9
Denmark			3365	+0.00	-	.20	0.59	-8
France	6.458	53 6.5	7475	+0.0041	2 1	.80	0.00	-15
NON ER	M MEMBER	S						
	295.2		5,640	-0.38		.51	-1.68	-
	0.7931			+0.0003	_			-
Greece UK	295.2	89 30 08 0.73	2974	0.0003	8 -7	.58	10.15	angin me ti mas
	DELPHIA							imes.
Strike		CAL	LS	_		_ P	UTS	
Price	Feb	Ma	7	Apr	Feb	,	VIST.	Apr
1.600	2.63	3.2	6 3	3.72	0.52	1	23	1.77
1.510	1.98	2.6		1.13	0.83	1	.51	2.17
1.620	1.40	2.1		2.60	1.24	2	.06	2.59
	ey's vol., Calls				HL, Cal	30,642	Pas 49,7	77
m PHEL	DELPHIA S	SE D-MAI	RK/S OF	TIONS	DM62,5	00 (S p	er DM)	
Strike		CAL				_	UTS	
	Eab	140		4~	Feb		in	Arr

Strike	-		ALLS -		-		_	PUTS -	
Price	Fe	eb de	Mar	Ap	7	Feb		Mar	Apr
0.605	0.8	34	1.21	1.4	8	0.34		0.60	0.77
0.619	0.5	55	0.92	1.2	0 1	0.55		0.82	0.99
0.618	0.3		0.69	0.8		0,84		1.10 .	1.26
Previous	iny's vol., Ca	ts 270 Pu	t 1 ,69 5 .	Prev. d	ey's open	HL, C	3 3	,857Pvts 2	2,781
THE	E MONT	EURO	XLLX	(MM)	\$1m pc	ints (x 100	%	
	Open	Lattes	Cha	nge	High	L	*	Est. vol	Open int
Mar	94.29	94.40	3 +0.	01	94.40	84	38	67,483	394,986
Jun	94.21		+0	.03	94.25	94	21		391,058
Sep	94.02	94,0		.03	84.06	94	.02	120,016	292,514
	REASURY				51m pe	94		522	4.736
Mar	94.94	94,9		.02		94		72	3.217
Jun		94.80		02	94.80 94.60	84	65	69	785
Sep	94,60	94.60		.03	34.00	-	-	90	,,,,
AN Open	rsterest figs.	PITOMS	(LIFFE) (MIN M	points o	100	%_		
Strika			ALLS -	_				PUTS -	
Price	Feb	Mar	Apr	Jur	ı Fei		Mer	Apr	Jun
9675	0.14	0.15	0.15			-	0.02		
9700	0.01	0.02	0.03	0.00		-	0.14		
9725	0	0	0	0.01			0.37	0.38	0.39
Est vol to	otal, Cadis 21 SWISS F	PANC O	PTION	ous di	y'a open Ej SFr 11	n po	THE D	10076	263072
Strike		c	ALLS -			_		PUTS	
Price	M	er	Jun	Se	P	Mar		Jun	Sep
0825	0.1	0 (0.20	0.2		1.12		0.25	0.42
			1.10	0.13		130		0.40	0.58

National Bank of Hungary U.S.\$100,000,000 Floating Rate Notes due 2000

Pursuant to Note conditions, notice is bereby given that for the interest period 31st January, 1997 to 31st July, 1997 (181 days); the following interest rates will apply:

15 Year Long-Term Notes (Coupon No 25) Rate per amunit 6%5 Amount per coupou: U.S.\$317.38 Payable on: 31st July, 1997

The Long-Term Credit Bank of Japan, Limited London Branch Agent Bank

National Australia Bank Limited US\$100,000,000

Floating rate notes due Notice is hereby given that the rate of interest relating to the above issue has been fixed at 5.96875 per cent for the period 31 January 1997 to 31 July

interest payable on 31 July 1997 per US\$10,000 note will Agent: Morgan Guaranty Trust Company **JPMorgan**

U.S. \$100,000,000 Allied Irish Banks Ptc of Intentionals and Companies Act. 1983 is 1999.

Stubordistanted Primary Capitati
Perpetual Floeting Rate Notes.
In accordance with the provisions of
the Notes, notice is hereby given, that,
for the three months interest Period
from January 31, 1997 to April 30,
1997 the Notes will carry en Interest
Pate of 8.0825% per annum. The
interest psyable on the relevant
interest psyable on the relevant
sterest psyable. \$149.88 and U.S. \$3,746.96 respec tively for Notes in denominations of U.S. 610,000 and U.S. \$250,000. Th

(Variable Coopen Numbers)
Rate not applied at present
(No potes outstanding)

eum of U.S. \$149.86 will be play per U.S. \$10,000 principal amou Registered Notes. By: The Chase Manhattan Bank Laction, Agent Bank January 31, 1897 OCHASE

U.S. \$300,000,000 Canadian Imperial Bank of Commerce (A Canadian Chartered Bank)

Floating Rate Debenture Notes due 2084 Notice is hereby given that for the six months interest period from January 31, 1997 to July 31, 1997 the Debenture Notes will carry an interest rate of 5.9376% per annum. The interest payabla on the relevant interest payment date, July 31, 1997 against Coupon No. 24 will be U.S. \$298.52 and U.S. \$7,453.00 respectively for Debenture Notes in denominations of U.S. \$10,000 and U.S. \$250,000. O CHASE

By: The Chase Manhattan Bank London, Agent Bank January 31, 1997

ECU 300,000,900 Kingdom of Belgium Floating Rate Notes due 2000 For the period from January 21, 197 to April 30, 287 the Notes will carry an interest rate of 49.45 per arrum with an interest amount of ECU 1,004,34 per ECU 100,000 Note.

BANQUE PARIBAS

000,000,000,201 Credit du Nord Florting Rate Notes due 1997 For the period from January 3, 1997 to April 30, 1997 the Notes will carry an interest: rate of 84% per amount with an interest: mount of US \$230.00 per US \$20,000 Note. The relevant interest payment date will be Arriv 30, 1997.

ū BANQUE PARIBAS

CITICORP •

0.04 0.37 0.70 0.42 0.23

U.S.\$350,000,000
Subcretizated Floating Rate Notes Due November 27, 2036
Notice is hereby given that the Rate of Interest has been fixed at 5.5375% in respect of the Original Notes and 5.625% in respect of the Enhancement Notes, and that the interest poyable on the relevant Interest Payment Date February 28, 1997 against Coupon No. 135 in respect of US\$10,000 nominal of the Notes will be US\$43.07 in respect of the Original Notes and US\$43.75 in respect of the Enhancement Notes.

U.S.\$500,000,000 Subordinated Floating Rate Notes Due October 25, 2005
Notice is hereby given that the Rate of interest has been fixed at 5.5375% and that the interest payable on the relevant Interest Payment Date February 28, 1997 ogainst Coupon No. 136 in respect

of US\$10,000 naminal of the Notes will be US\$43.07. muary 31, 1997, London By: Calbonk, N.A. (Corporate Agency & Trust), Agent Bonk. CITIBANC

KB IFIMA N.V. KB Internationale Financieringsmeatschappij N.V. US\$ 150,000,000 **Guaranteed Floating Rate Notes due 2011**

in accordance with the Description of the Notes, notice is hereby given that for the Interest Period from January 31, 1997 to April 30, 1997 the Notes will carry an Interest Rate of 5.5875% per annum.

The Interest Amount payable on the relevant Interest Payment Date, April 30, 1997 against coupon N° 44 will be US\$ 138.14 per US\$ 10,000 principal amount of Note and US\$ 3,453.39 per

The Agent Bank Kredietbank Lummboury

Union Bank of Norway U.S. \$27,000,000 Subordinated Floating Rate Notes due 2002

In accordance with the provisions of the Notes, notice is bereby given that the Rate of Interest for the three month period ending 30th April, 1997 has been fixed at 7.425% per annum. The interest accruing for such three month period will be U.S. \$9.281.25 per U.S. \$500,000 Note against presentation of Coupon Number 19.

Union Bank of Switzerland London Branch Agent Bank 28th January, 1997

US\$ 250,000 principal

amount of Note.



Sakura Finance Asia Limited

Mitsui Finance Asia Limited U.S.\$150,000,000

Guaranteed Floating Rate Notes 1997

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 31st January, 1997 to but excluding 30th April, 1997 the Notes will carry an Interest Rate of 5.8125% per annum. Coupon will be U.S.\$143,70 on the Notes of U.S.\$10,000.

SAKURA TRUST INTERNATIONAL LIMITED

31st January, 1997

Serbia seen to need large wheat imports

Serbia, normally a grain exporter, will have to import large amounts of wheat this year, independent analysts said yesterday.

They point out that the effects of a disastrous 1996 harvest bave been exacerbated by the excessive sales of reserves by the socialist government, desperate to raise much-needed hard cur-

Estimates of Serbia's shortfall before next July's harvest range from 300,000 to 600,000 tonnes. Professor Mladjan Dinkic, professor of economics at Belgrade University, said many farmers have produced only enough grain for their own needs because the state had failed to pay them adequately for past harvests.

"They are unlikely to protest against the government but they will not plant," said that Serbia's virtually bankagricultural base for sur-

Mr Dragan Veselinov, the leader of the opposition National Farmers party. which has its strongest base in the northern province of Vojvodina, estimated last year's wheat harvest at 1.5m tonnes, well below the usual 3.5m tonnes. Cattle breeding had also more than halved because of the government's

Official figures for last year's wheat barvest or sales from reserves have not been published but Mr Veselinov estimated that 300,000 tonne had been sold and Serbia would have to buy back at least 400,000 tonnes - and at greater cost because world prices had since risen.

An independent analyst said Serbia was believed to have sold 700,000 tonnes of wheat in the year to July 1996. He forecast a 1997 har-Professor Dinkic, adding vest of around 2.5m tonnes and further imports of rupt economy relies beavily 300,000 tonnes after pur- accuse the state of favouring



On the bread line: opposition politicians say some farmers are "so poor they can't even buy a round of drinks in a cafe"

chases already made of less than 100,000 tonnes.

The state has a monopoly on strategic agricultural products and grain export companies. The opposition, which has mounted daily street protests in Belgrade since the government of Mr Slobodan Milosevic annulled opposition victories in local elections last November,

to the president's family when granting grain export "Some farmers are oow so

poor they can't even buy a round of drinks in a cafe," Mr Veselinov complained. A coalition of opposition gronps in Vojvodina, Serb-

ia's grain basket, this week launched a campaign to roads in Vojvodina but anarestore the province's auton- lysts doubt the oppositioo said.

SOFTS

M COCOA LIFFE (E/torne)

centralise power in Belgrade. Serbs make up more than 50 per cent of Vojvodina's 2.1m people but the province also has large numbers of Hungarians, Croats, Slovaks and

other ethnic groups. Small groups of angry

companies with close links omy which Mr Milosevic will persuade the conservacancelled in 1988 in a bid to tive farming community to mount a wider blockade of the capital.

What is more certain is that Mr Milosevic will dig deeper into foreign bank accounts to bny wheat to keep bread in the shops.

"The government would farmers are blockading some rather import wheat than provoke riots," Mr Veselinov

COMMODITIES DIGEST

IPE offers first natural gas future

Europe's first natural gas futures contract will be launched today by London's International Petroleum Exchange. The contract will be based on the delivery of gas at the "national balancing point", a notional location at which British Ges's TransCo pipeline monopoly carries out the daily balancing of supply and demand.

The rules governing the phased liberalisation of the UK gas market require companies using the TransCo system to match the amount of gas they put into the pipeline each day with that used by their customers.

An informal spot market in gas has evolved over recent years, but the IPE says its contract will have a number of advantages over the present system. These include transparent pricing, no barriers to entry, trader anonymity, a standard mechanism for delivering gas within the TransCo system and centrally cleared and margined contracts.

The IPE hopes the natural gas contract, which will trade up to 12 months forward, will evolve into a European price benchmark, in the same way that its Brent oil futures contract serves as a price marker for the international petroleum industry. That could happen as early as October 1998, the expected completion date for the UK-Continent Gas Interconnector between Bacton on the east coast of England and Zeebrugge in Belgium. Completion of the pipeline will give Europe an integrated gas grid similar to that in North America.

Robert Corsine, London

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SHEY

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State of the same

US venture for Asarco

Asarco, the large US mining house which sold its A\$414m (US\$319m) stake in Queensland's MIM Holdings last year; yesterday made a return to Australia, announcing it had eached a joint venture and farm in agreement with Zanex, a junior miner, over its Yamarna gold prospect near Laverton, in Western Australia.

Asarco will be abla to earn a 51 per cent interest in the project by completing A\$3.5m of exploration expenditure over a 46-month period. It can then acquire a further 1 per cent for every A\$100,000 spent (with Zanex retaining the right to contribute at certain levels), and will also be deemed to have acquired Zanex's holding in the Dorothy Hills tenement, subject to a smelter royalty. Asarco will also have an option to buy an 80 per cent interest in the Yamarna tenements outright for A\$16m.
Although relatively modest, the deal reinforces the

trend for larger North American miners to step up their involvement in WA gold prospects.

World cocoa deficit grows

The world cocoa production deficit in the 1996-97 season should be between 170,000 and 230,000 tonnes due to strong consumption and an estimated decline in output, traders ED&F Man said yesterday. It said the exceptionally favourable weather conditions in West Africa last season, which helped to push stocks to nearly .2m tonnes, appeared to be absent this year. Man forecast that output from tha top grower, Ivory Coast, would be around 1.05m tonnes for the season, which runs from October to September, against an

Copper falls as technical squeeze unwinds

By Kenneth Gooding, Robert Corzine and Maggie Urry

The price of copper for immediate delivery fell more than 4 per cent on the London Metal Exchange for the second day running, as the technical squeeze that has gripped the market for some weeks continued to unwind. Copper was down \$106 to \$2,354 a tonne

Traders said the falling premium for copper for immediate delivery compared with three-month metal - down by \$50 a tonne to \$200 yesterday - bad encouraged mer-

LONDON METAL EXCHANGE

M ALUMINIUM, 98.7 PURITY (\$ per torne)

COMMODITIES PRICES

BASE METALS

lend to the market copper they did not need until a future date.

The big premium was expected to have attracted much more copper to LME warehouses and traders suggested the exchange would report a rise in stocks of 10,000 to 15,000 tonnes today.

Gold fell to a 34-year low following a fresh wave of selling by US funds and producers. Gold's price was "fixed" in London yesterday afternoon at \$349.30 a troy onnce, down from \$351.10 at Wednesday's afternoon "fix". In late Londoo

trading it fell to \$345.75.

chants and consumers to hurry to time gold traded at this level it funds' long positions could over- reverse the oil price direction on quickly fell to \$349.30. Coffee prices slipped yesterday in

cootinued volatile trading after Wednesday's strong rise. Prices have risen sharply in recent months, attracting buying from investment funds while deterring selling by producers, keen to hold on for yet higher prices.

Traders said the fundamental supply shortage of coffee had been exacerbated by estimates of a lower crop from Brazil this year. Consumer stocks had fallen, encouraging some buying by roasters, they reported. They suggested investment

hang the market. "The bubble will Wednesday were still at work in have to burst ooe day," one the market, said traders. These have to burst ooe day," one observer said. If they were liquincluded forecasts of cold weather dated it would "put the market in the US when heating oil stocks under pressure" and might bring out sales from producers too.

Crude oil prices cootinued to firm, with Brent Blend for March delivery breaking through the \$23 barrier after several weeks of steady decline. March Brent was quoted at \$23.04

a barrel in late London trading, 27 cents up on Wednesday's close. It had fallen to a four-month low of \$22 a barrel on Monday. The factors that helped to

+12 1325 1306 2,468 22,102

+12 1325 1306 2,488 22,162 +13 1349 1334 1,398 23,353 +11 1375 1360 187 13,431 +11 1375 1360 187 13,431 +11 1432 1412 344 3,793 +10 1443 1438 116 12,628 4,554 88,888

were falling and renewed concerns ahout the stability of Iraq, although Mr Kofi Annan, the United Nations secretary general, said he thought the current oil-forfood programme would probably be

renewed for a further six months. Gas oil futures on London's International Petroleum Exchange rose sharply in response to higher heating oil prices on Nymex in the US. February gas oil was up \$7.75 a

estimated 1.2m tonnes in 1995-96.

JOTTER PAD

885 1,806 32,995 908 1,587 24,125 929 285 11,215 948 156 12,813 960 562 10,666 979 176 17,824 +12 900 +14 922 +14 942 +12 960 +12 972 +12 963

NOSE	0.00~6.00.0	1000-10	· PERSONAL PROPERTY IN	348.7	-3.1	334.0	3483	وللصرا	22,400
revious	1580.5-81,5	1606-07	Amg	352.0	-5.8	355.5	353.0	588	8,471
lightlow	1593/1592	1618/1605	Oct	354.4	-5.6	360.0	354.5	42	3,775
M Official	1593-94	1617-17.5	Dec	358.8	-5.9	361.0	357.1	657	16,930
erb close		1614-15	Total						185,475
pen int.	248,441		# PL	ATINUM	NYM	EX (50	Troy a		
otal daily turnover	57,452		Apr	355.4	-34	358.2	361.9	1 441	20,261
ALUMINIUM A	TOY IS per to	r(ne)	Jed.	357.8	-3.5			71	
lose	1500-05	1520-21	Oct	359.9	-3.5			15	
		1495-500			-3.5		303.0		
hevious	1487-97	1523/1512	Jen Total	362.3	~3.3	_	_	. 3	
ligh/low M Official	1500-05								26,903
erts close	1300-03	1520-21 1520-25	■ PA	LLADIU	M NY	NEX (10	Q Troy	S/1 1	oy oz.)
pen int.	5,013	1320-23	Mar	123,75	-0.85	124.60	123.50	266	6,101
otal daily furnover	1.223		Jun	125.05			_	1	1,865
			Sep		-0.85		_		360
LEAD (\$ per tox	mej		Dec			128.10	128 10	_	16
lose	656-7	666-7	Total	,	-		,	230	8,344
revious	654-55	667-68	■ Stl	VER CO	MEX (5	onT 0000,	y (0Z.; C	ents/tro	y OZ.)
ligh/low	***	676/686	Feb	483.5	+1.5			5	2
M Official	662-3	672-3	Mar	495.5	+1.5	497.5	486.0	15,105	
erb close		673-4	May	500.1	+1.5	501.0	491.0		11,432
pen int.	35,277		14	504.7	+1.5		495.0	392	
otal daily turnover	11,303		Sep	509.4	+1.5	500.0	502.5		3,001
NICKEL (\$ per t	torane)		Dec	516.5	+1.5	576.5	509.0	14	4,684
lose	7190-200	7290-300	Total	510.0		4100	505.0	16,191	83,297
revious	7050-55	7154-55							,
lah/low		7300/7190							
M Official	7140-45	7240-45							
171 WILLIAM	11-0-40	. 2-10-10							

7295-300 Open int. Total daily turnover 12,783 TIN (\$ per tonne) High/low AM Official

5720-25 Kerb close Open Int. Total daily turnover 15.508 6,057 E ZINC, spe ial high grade (5 per torme) 1102-03 1125-26 High/low AM Official 1103.5-04 1126.5-27

COPPER, grade A (S per tonne) 2149-50 2191-92 2190/2145 2177-78 150,709

LME AM Official E/S raths: 1.6210 LME Closing E/S raths: 1.6143 Spot: 1.6095 3 mpts: 1.6068 6 soliks: 1,8042 9 spiles: 1.6014

HIGH GRADE COPPER (COMEX) 107.30 -1.30 102.70 100.40 14,864 24,125 99.90 -1.20 101.10 99.40 54 98.80 -1.20 100.10 98.10 1,374 98.40 -1.05 99.45 98.50 12 97.60 -1.00 98.60 97.30 120 18,271 53,410

PRECIOUS METALS E LONDON BULLION MARKET (Prices supplied by N M Rothschild) 349.30 349.25

US cts equiv. 487.75 493.60 499.48 511.50 309.40 316.05

51-53

Dealers pointed out that the last Precious Metals continued GOLD COMEX (100 Troy oz.; \$/troy oz.)

ENERGY E CRUDE OIL NYMEX (1,000 barrels, \$/barrel) 24.88 +0.21 24.71 24.43 39.325 81.558 22.70 +0.12 22.70 22.53 781 15.425

23.03 +0.25 23.04 22.75 15.414 80.495 22.54 +0.24 22.54 22.29 5.850 35.065 22.03 +0.14 22.04 21.85 2.867 17.318 22.75 15.414 60,495 21.56 +0.06 21.60 21.43 1.716 18.014 HEATING OIL HYMEX (42,000 US galls; bUS galls.) 70.30 +1.46 70.40 68.70 19.099 15.196 97.85 +0.78 67.90 66.90 16.563 31.038 64.75 +0.43 64.75 64.20 4.110 14.396 61.90 +0.23 61.90 +0.23 61.90 59.25 1.137 5.627 59.50 +0.13 59.50 59.25 238 3.386 63.982 63.291

212.00 +7.50 212.25 205.50 11,237 22,909 203.50 +4.00 203.50 200.75 6,230 15,762 195.75 +2.25 196.00 195.00 1,875 0,200 15,762 190.50 +1.75 190.75 190.00 623 3,466 187.75 +1.50 188.25 187.25 407 7,475 187.25 +1.25 187.00 187.00 284 2,363 17,748 87,877 III NATURAL GAS IMMEX (10,000 danGa.: S/maBa.)

Letost Duy's price change light Low Wei int 2 450 +0.012 2455 2400 11.748 23.752 2175 +0.015 2.075 2.040 3.051 12.596 2.050 - 2.060 2.035 1,588 8,603 2.005 - 2.006 2.055 1,215 6.687 2.075 -0.008 2.110 2.065 544 7,692 2.075 -0.008 2.110 2.065 544 7,692 2.075 -0.008 2.110 2.065 544 7,692 2.075 -0.008 2.110 2.065 544 7,692 2.075 -0.008 2.110 2.065 544 7,692 2.075 -0.008 2.110 2.065 544 7,692 2.075 -0.008 2.110 2.065 544 7,692 2.075 -0.008 2.110 2.065 544 7,692 2.075 -0.008 2.008

MYMEX (42,000 US galls.; c/US galls.) 69.30 +1.07 89.30 68.20 10.892 10.215 69.35 +1.04 69.40 88.30 11.829 29.645 70.65 +0.70 70.65 88.55 2.567 11.801 70.20 +0.73 70.20 69.50 751 6.751 68.85 +0.65 68.95 68.30 447 5.675 68.90 +0.45 66.90 68.90 158 2.930 GRAINS AND OIL SEEDS WHEAT LIFFE (£ per tonne)

93.70 -0.05 94.00 93.00 98.00 +0.10 96.20 95.40 98.00 +0.20 88.00 97.35 91.75 - 93.80 93.25 95.75 - 95.50 85.25 ■ WHEAT CHT (5,000bu min; cents/60th bushel) ■ COCOA CSCE (10 tonnes; \$/tonnes) - 373.50 370.00 7.267 26,604 355.50 -0.50 359.50 356.00 1.548 10.639 345.25 -1.50 347.50 345.00 2.370 24.278 347.75 -1.25 350.00 347.50 8 1.552 -2.50 338.50 358.00 116 1,430 -1.00 - - 138 11.215 GLESZ MAIZE CBT (5,000 bu mirc cards/56th bushel) E COCOA (CCC) (SDR's/torne) 273 75 -1.25 276 25 273 56 25 108120 052 284 75 -1.50 267.25 264.00 1.797 9.841

25.00 -225 288.00 264.00 2,996 44.139 270.25 -2.50 273.25 270.00 224 3,033 45,858 313,400

2 Z SOYABEANS CRT (5,000bu mir, controllo bestel) 741.50 -8.50 752.50 741.00 39.983 77.360 741.50 -8.57 752.50 741.00 35.983 77.390 740.50 -8.75 752.00 740.50 6.413 30.821 740.75 -8.75 752.00 740.50 6.413 30.821 736.00 -8.00 744.00 736.00 551 5.081 708.25 -6.25 714.50 708.00 170 1.521 685.25 -6.00 690.75 684.50 3.842 16.335 61,202 172,565 SOYABEAN OIL CET (50,000fbs; cents/fb)

Mar

23.87 -0.24 24.15 21.85 6.191 45.315 24.26 -0.21 24.52 24.26 2.420 19,069 24.67 -0.21 24.86 24.83 1,184 15,229 24.80 -0.20 24.92 24.80 151 3,119 24.80 -0.21 25.11 24.80 68 2.521 24.80 -0.20 24.92 24.80 151 3,119 24.90 -0.21 25.11 24.90 68 2.521 25.03 -0.23 25.26 25.00 63 747 12.282 80.52 E SOYABEAN MEAL CET (100 tons: \$7ton) 237.5 -2.9 240.4 237.2 16,356 38,786 232.2 -3.5 236.5 232.0 6,782 22,320 230.6 -3.7 233.5 230.2 3,357 19,303 228.2 -2.8 230.5 227.8 175 3,246 223.5 -2.5 225.5 223.0 58 2,579 213.6 -1.8 214.0 213.2 3 1,055 27,280 80,817

2136 -1.8 214.0 2132 POTATOES LIFFE (E/tonne) +1.0 - -+16 54.5 54.0 +0.5 60.0 60.6 21 1.135 5 197 197 FREGHT (BIFFEX) LIFFE (\$10/Index point) 838 413 556 1,045 540 150 1373 -2 - -1370 +45 1370 1340 1415 +34 1415 1400 1480 +41 1480 1445 1248 +18 1248 1235 1385 +25 1385 1365

1361 1370

Wool After just managing to reach a new seasonal peak (a couple of cents above the
previous peak in Augusti Australia's Eastem market indicator lost ground at the and
of last week, and the declare continued
when sales resurred this week. The peak
of 819 cents was tollowed by 594 cerss on
Jamuary 29, but then a small recovery to
598 cents. Following precardents this year,
while most menings moved down, crossbreds in New Zealand became deerer, and
so did British wool sold at a Bradford
auction. The emaks and conflicting course
of the market between different segments
is accompanied by difficult trading conditions in the wool sold in trading condilibrars in the wool sold in 7 cents to 448
cents in the week.

Price COFFEE LIFFE (S/tonne) 1537 -58 1590 1535 377 526 1532 -38 1579 1520 3,785 16,485 1523 -36 1570 1515 2690 18,942 1515 -36 1567 1510 736 5,856 1505 -36 1540 1500 106 2,202 1495 -38 - 28 1,174 COFFEE 'C' CSCE (37.50)lbs; cents/lbs) 140.30 -4.30 146.10 140.00 8.316 23.504 134.50 -4 40 140.00 134.25 4,762 9,672 131.20 -4.10 136.00 131.00 1,212 4,704 127.75 -3.25 131.75 127.50 371 2,783 123.80 -2.20 126.50 123.50 137 1,908 120.50 -1.50 122.50 122.50 60 530 2150 14,867 43,589 E COFFEE (ICO) (US conts/pound) WHITE SUGAR LIFFE (S/tonne) 2981 -42 298.3 297.5 912 10.960 296.9 -0.7 298.3 297.0 793 8.422 296.2 - 296.8 297.6 319 3.084 294.5 -0.1 295.0 294.2 295 2.789 295.0 -0.5 - - - - 823 297.9 -0.6 297.5 297.5 25 400 2,254 25,789 E SUGAR '11' CSCE (112,000lbs; cents/lbs) 10.39 +0.06 10.42 10.3213,283 64,394

10.49 +0.05 10.42 10.32 10.35 3.732 56.839 10.49 +0.02 10.42 10.35 3.732 36.829 10.32 -0.02 10.35 10.30 975 27.344 10.37 - 10.38 10.30 975 27.344 10.40 - 10.42 10.35 95 6.480 10.44 - 10.45 10.40 25 1.657 E COTTON NYCE (50,000lbs; cents/lbs) 74.65 -0.70 75.10 74.31 3.614 20.752 76.05 -0.67 76.49 75.65 1.525 16.517 77.30 -0.97 77.50 76.75 551 5.56 77.20 -0.48 77.40 76.95 78.12.231 76.00 -0.45 77.40 77.80 84 77.8 # ORANGE JUICE NYCE (15,0000s, cents/bs) 97.30 -1.15 88.00 86.50 3.923 16.237 90.20 -1.05 91.80 89.50 1,135 6,549

6,113 25,391

INDICES E Reuters (Bess: 18/9/31 = 100)

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CME, CSCE and IPE Crude Oil are one day in enears. Volume & Open Interest

Jan 30 Jan 29 month ago year ago 1951.5 1957.7 1872.8 2185.2 E CR8 Futures (Base: 1967 = 100) Jan 26 Jan 26 month ago year ago 241.15 242.27 ■ GSCI Spot (Base: 1970 = 100) Jen 29 San 28 month ago year ago 207.06 206.99 212.24 190.66

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000kbs; pents/lbs) 54.400 +0.425 64.900 84.150 8.461 17.866 56.400 +0.500 66.900 56.100 12.167 41,866 84.475 +0.200 64.925 64.300 2.864 14,050 64.250 +0.100 84.700 64.200 2.108 16,320 67.500 +0.025 67.800 87.400 1,438 9,023 89.875 +0.050 70.150 69.775 528 3.705 M LEAN HOGS CME (40.000ths; conto/lbs)

Feb 75.500 +0.250 76.075 75.350 3,677 8,137 80.575 +0.700 80.800 79.850 1,138 7,238 78.525 +0.350 78.825 78.250 191 1,667 66.100 +0.375 69.500 67.700 PORK BELLIES CME (40,000ths; conts/ths) 79.425 +1.025 79.900 78.400 1,490 2,829 79.000 +0.9 79.850 78.150 1,157 1,904 79.850 +0.75 80.300 78.700 684 2,617

78.900 +0.45 79.350 78.000 75.400 +0.475 76.000 75.350

LONDON TRADED OPTIONS Strike price \$ tonne - Calls - - Puts -ME ALLIMBUTING 1650

109 138 170 2250 .. 1600 .

LONDON SPOT MARKETS E CRUDE OIL FOR (per barrel)

\$20.94-1.05w +0.335 \$23.44-3.46 +0.45 \$23.04-3.06 +0.40 \$24.73-4.78w OIL PRODUCTS IN Gas Oil Heavy Fuel Oil Naphtha Jet tuel \$228-225 \$242-243 MATURAL GAS PO

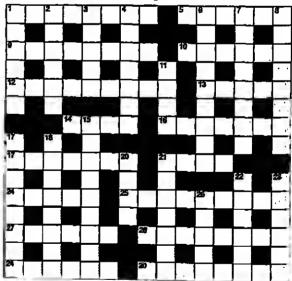
17.00-17.10 -0.45 on (0171) 359 8792 Gold (per troy oz) \$
Silver (per troy oz) \$
Platinum (per troy oz.)
Politodium (per troy oz.) 489.00c \$352.76 \$121.50 Tin (Kusis Lumpor)
Tin (New York)
Cattle (Ive weight)
Sheep (ive weight)
Pigs (Ive weight) 14.32r 369.50 103.58p 140.57p 73.10p Lon, day sugar (raw) Lon, day sugar (wie) Bartey (Eng. Need) Malze (US No3 Yellow) Wheat (US Dark North)

77.75p 77.75p 300.0x 772.5y 557.5y \$500.0y 208.0x 80.80 407p Cocontt Oil (Phill§ Poim Oil (Mokey.)§

Putin Oil (Motory.)\$ 557.5/y
Copra (Philit)\$ \$500.0y
Soyabeans (US) 208.0x
Cotton Outdook'A' Index
WooRops (64s Super) 407p
F pr torne unters otherwise straid, p pencelling
r angolithis, m Malensian contains, c. den er Mer
Lordon Physical, 5 GP Rotentien. \$ Busing mer
Change on heat, 19ased on na head of pigs at
morth of January.

CROSSWORD

No.9,288 Set by ARMONIE



continually (8)
5 A bird that is a newcomer

9 Pagan, one's to deal with 11 Good politician is fluent afterwards (8) and plausible (4)

10 Leader of researchers in 15 Penny's allowed in sepasurvey is resolute (6)

casb container (4,5)
13 Stone used in assault (5)
14 Benefit from a drink (4)
16 Dickens embraces grannie, having a slice of lnck (7)
19 Pickpocket is returning to fashionable flat (7)
21 Status is broken without 21 Statue is broken without resistance (4)
24 Eliminate ring leader in

caper (6)
Issue has feature about student and red revolutionary 29 Grudge-bearing queen is a dainty little creature (6)
30 Filter resin and tar com-

pound (8)

DOWN

1 Head of firm flogs cinema

thead of firm flogs cinema
(6)

The woman is brutal –
without the last bit of compassion (6)

To some extent admire
Arsenal's backs (5)

Soldier, failing in crossing
over wall, is devoid of ideas
(7)

in unfashionable medals (9) 7 Cattla love being in oll (8) 8 Tiny page intrigued for-

12 Don't move the castle's cast container (4.5)

Cast container (4.5)

Cast container (4.5)

Cast container (4.5)

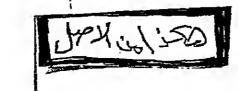
Cast container (4.5) rately for dessert (5.4)

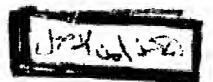
18 I malign a Manxman, for example (8)
20 The poet's said to be accomplished (4)
21 Accepts beated quarrels
can be encountered within
this (7) 24 Eliminate ring leader in comfort (5)
25 The latest place to sell game (9)
27 Law officer died in reckless
28 Drink in the slippery slope (3,3)
29 One making good greate moulding (6)
20 Endlessly sanction a place in Complexity (6) 22 Drink in the sun being on

in Scotland (5)

Solution 9,287







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JANUARY 1

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FT Cityline Unit Trust Prices are avail	FT MA ble over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details	NAGED FUNDS SERVI	ICE	Offshore Funds
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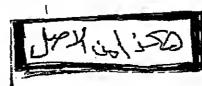
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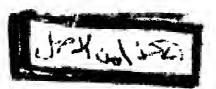
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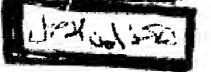
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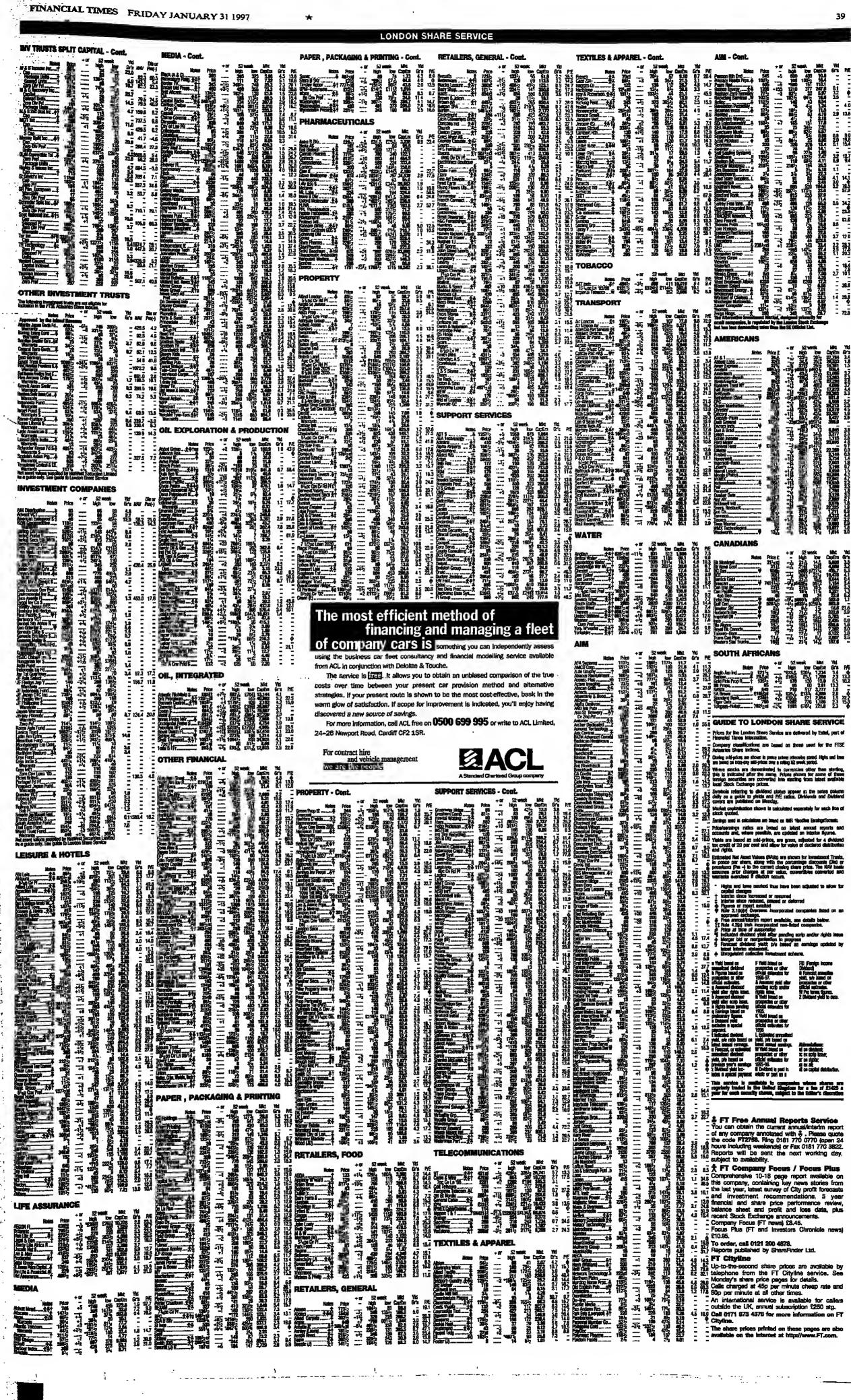
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LONDON STOCK EXCHANGE

Shares respond to good showing by gilts

Another successful gilts auction, and the 84-point jump overnight by the Dow Jones Industrial Average, injected a much-needed burst of confidence into London shares yesterday.

Some of the market'e more optimistic dealers said Wall Street was set for further big gains and that pockets of selling pressure represented no more than profit-taking.

Others, however, remained set on the idea that the recent searing rise in the US stock market of the previous day's US-inspired

There was precious little evidence yesterday that another US sell-off was imminent; the Dow was up 25 points as trading in London ended.

That performance followed comforting comments on inflation by Mr Alan Greenspan chairman of the US Federal

The main FTSE indices, taking their cue from the Dow's overnight gain, made determined progress ending the session at or around the day's closing highs. The FTSE 100 index pushed up

20.9 to 4,228.4, recapturing much

posted the most impressive gain, adding 5.4 at 2,297.6.

Adding to the growing pressure on stockbrokers was another low-key trading esssion: turnover in equities at the 6pm count was

exchange yesterday revealed that signs of abating. Premier Farnell customer, or strictly retail, business was worth £791.5m on Wednesday, slightly up on levels earlier in the week but well down on usual levels of business.

beart, responding to the rise in among the engineering stocks. the Dow and a firm showing by Treasury bonds, which ended the market enjoyed a sprinkling Managers index for January.

would result in a correction slide. The FTSE 250, meanwhile, well ahead after the first auction of good performances. Oil explosioner rather than later. rose 6.1 to 4.572.6. The SmallCap of inflation-linked issues. ration shares continued to gallop

worth of five-year gilts covered 3.8 times, there was further encouragement for equities. The recent spate of profits

warnings, triggered mostly by the strong rise in sterling over Official figures from the stock the past few months, showed no shares, hammered during the last couple of minutes trading on Wednesday, were given a further pasting yesterday. And another engineering group, Staveley notably gross domestic product Footsle began the day in good Industries, kept up the pressure for the fourth quarter, inflation On the other side of the coin,

mendation

ing nervousness.

close.

term.

Among.

holding in the company.

Continued worries over

One analyst said the sector

Active profit-taking in

left the shares as the worst

performer in the FTSE 100.

They gave up 6% to 198p.

having traded 3.7m by the

Morgan Stanley vesterday

downgraded its recommen-

dation from "outperform" to

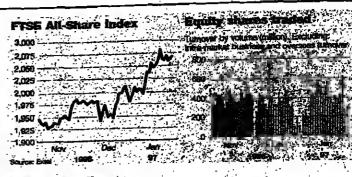
"neutral" on a valuation

ration shares continued to gallop And with the auction of ELSbn- ahead, with a firm showing by crude oil prices accompanied by excellent exploration news. British Borneo, the market's etar performer since last December, continued its upward spiral after the company's executives addressed London analysts, And Enterprise

Oil topped the FTSE 100 perfor-

mance list following more good

drilling news. Today brings a long list of economic news from the US, most ber and the Chicago Purchasing



FTSE Non-Fins n/e Best performing sectors
1 Oil Exploration & Prod

Extractive Industries

Borneo tops the £13 mark

By Peter John, Joel Kibazo and Lisa Wood

exploration and production stocks topped the leading indices on a combination of fundamental appreciation, currency swings and optimism.

The impetus came from a talk by British-Borneo Petroleum to the London Oil Analysts Group on Wednesday night. The company said that, while 1996 had seen the pieces of the ilgsaw being put into place, 1997 was the year in which the company moved into high gear - particularly in the Gulf of Mexico.

"Bears of the stock were left gasping for air." said one enthusiastic analyst. Borneo rose 118 to 1,319p, a new closing peak.

The sales pitch from Borneo gave a helping hand to Enterprise, which headed the Footsie with a rise of 25 to 679p. Enterprise also has operations in the Gulf of Mexico and announced late on Wednesday that it had made significant advances in

Furthermore, the revival of the US dollar against sterling has meant a significant difference to the revenues of 1110p. big dollar earners. A nomi-

running but they're not running on hype alone. I would not wish to be the one to call the top."

There was no end in sight to the flow of bad news ourrounding electronic components distributor Premier Farnell, which surprised the market with a profits warning late on Wednesday.

The shares surrendered another 1121/4 to 520p, a near 1g per cent fall and by far the worst retreat in the FTSE 250 yesterday. Turnover was a hefty 9.7m. its highest-ever daily total since volume in the stock was first recorded in 1991.

Analysts downgraded profit expectations to around £137m in the wake of the warning, while ABN Amro Hoare Govett and Merrill Lynch were among brokers reported to have advised clients to sell the stock.

Rumours that Bass might be casting an eye over Accor, the French hotel chain, tempted a bout of profit-taking in the stock, which fell 9 to 852p. Analysts were divided as to whether such an acquisition would be either on the cards or desirable. Earlier this week BZW moved the stock from a "buy" to a "hold" on valuation grounds.

Ramsden's advanced 17% to 362%p after a good set of full-year results while J Wetherspoon continued to weaken, falling 35 to

Yorkshire Water rose nal oil price of \$20 a barrel strongly after the company translates to £12 at \$1.67 to announced a capital reorganthe pound but 50p more at isation and a plan to return

\$1.60. Ms Irene Himona of up to 10 per cent of the com- it said the recent gains had gled to find an explanation SGST said: "These etocks are pany to sbareholders as not factored in the full cash. The shares, which have been steadily rising for the past three months on expectations of a share buy-

back, jumped 1714 to 735p. Royal & Sun Alliance, the insurance group, lifted 13% to 475% p after the company said single premium sales rose more than 113 per cent

However, SGST maintained a "hold", recommengeneral, insurers were cautiously traded. A number of life stocks fell back as Credit Lyonnais Laing adopted a more severe stance to insurers as a whole.

Analyst Mr David Hudson advised a switch out of Prudential - down 61/2 at 537p into Legal & General, which improved 9% to 379%p.

extent of the sparkling sec-tor growth announced this week, which was almost double overall GDP growth. Laing particularly likes Barclays, which rose 3 to 1.142½p, and NatWest, which rose 1% to 763%p after being restrained earlier by an over-

hang of stock.

Marks and Spencer recovered, hardening 10 to 492p, in the wake of its trading statedation on the stock and in ment earlier in the week which had been initially greeted by the market with eome disappointment, especially over food sales. The market noted that Mrs Stella Rimington, a non-executive director of M&S, had purchased her first stock in the

company. There was some profittaking in DFS Furniture, However, the broker was which eoftened 24% to more optimistic about banks. 600%p, while analysts strug-

-	-	BURNEY
	30	INDEX
		h 00

	Jan 30	Jan 29	Jan 28	Jan 27	Jan 24	Yr ago	"High	Low
FT 30	2830.6	2844.7	2844.7	2839.5	2843,1	2762.8	2885.2	2668.6
Ord. div. yeald	4.08	4.07	4.07	4.07	4.07	3.79	4.22	3.79
P/E ratio net	17.48	17.49	17.48	17,48	17.48	17.08	17.40	15.80
P/E ratio nii	17.29	17.32	17.32	17.31	17,31	16.65	17.32	15.71
FT 30 etnos compi								
FT 30 hourty o	recond							

Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 18.00 High Low 2833.0 2833.4 2834.1 2826.6 2825.5 2829.8 2827.8 2825.7 2830.9 2836.1 2824.4 Jan 30 Jan 29 Jan 28 Jan 27 Jan 24 Yr ego 42,168 733,7 18,253 288,0 43,323 46,380 32,442 748.3 912.3 1826.8 17,721 20,372 34,841 260.8 612.0 619.5

Jan 30 Jan 29 Jan 29 Jan 27 Jan 24 Yr ago THigh 1123.2 1108.2 1100.7 1088.0 1095.4 1049.8 1140.4

at History		LIFFE Equity opti	34,957
			27,001
ed Lows	59	Calls	22,685
		Puts	12,272
	al Lows shares listed		at Lows 29 Calls Puts shares listed on the London Share Service

A number of travel operaas to why Great Universal tors rose on talk of positive Stores had hardened 19 to indications for summer trad-643%p. There was talk that a ing. Airtours rose 30 to broker was just about to 870%p. publish a big piece of

research on the stock, with a possible change in recomried over the implications of Musicland, a US retailer which has asked big record labels, including EMI, for had perhaps been oversold, and a number of stocks were deferral of payments while it bouncing, but prices were seeks a cash infusion. Howvolatile because of continumarket had over-reacted. with EMI's exposure to Musicland's debts being around mobile phones group Orange

sponding period in 1996.

FTSE 250

EMI Group fell 27% to 1251%p as the market worever, analysts said that the

Tate & Lyle hardened 10 to 436p despite warning that results for the half year to March 1997 were expected to be below those for the corre-

FUTURES AND OPTIONS FISE 100 INDEX FUTURES (LIFFE) \$25 per full index point Open Sett price Change High Low Est_vol Open Int. 4229.0 4223.0 +15.0 4236.0 . 4206.0 # FTSE 250 INDEX FUTURES (LIFFE) 210 per full index point 4620.0 4608.0 +6.0 4620.0 4620.0 IN FTSE 100 INDEX OPTION (LIFFE) (*4229) £10 per full index point

Cate 8.001 Puts 3.522 EURO STYLE FISE 100 INDEX OPTION (LIFFE) £10 per full index point 4075 4125 4175 4225 4275
173 15 129½ 21½ \$1 32½ 59 50½ 34 75
195 39½ 149½ 51½ 112½ 85 83 85 59½ 111202½ 55½ 160½ 29 133½ 85½ 100½ 105½ 79 129½
212 95½ 181 133
265½127½ 4½ 161½ TRADING VOLUME

basis, although analyst Mr LONDON RECENT ISSUES: EQUITIES Paul Marsh remains positive price paid carp p up (2m.) on the sector for the long | State | Stat The broker made the same W6.85 20 4.9 12.7 recommendation on Vodafone Group, which left the shares trailing 3% to 268p. Volume was 10m. A two-way pull in BT brought turnover of 8m as the chares eased to 1.3 3.1 25.0 engineering stocks, T&N followed the strong market trend and closed 2 up at 165%p. A previously large investor yesterday said it had reduced its the dividend once again left

LucasVarity friendless as the market surged. The	FT GOLD	MIR	IES	IND	EX				
shares gave up another 2 to 207p, after heavy trading			% chg on day	,1en 22	Year ago	Gross tilv yield %	P/E	62 w 19gs	nok Low
that brought turnover of	Çiziki Miranş Jaştaz (53) 16 Rogilyani italican "	1742.41	-03	174L00	2328.48	1,00	-	252A.73	1674.61
Metals group Johnson Matthey eased 5 to 570%p with ABN Amro Hoare	Adrica (14) Anatralista (7)	1977.24	-0.7	2048.42 1991,28	2790,B6	2.56	21.40	3553.86 2927.34	1970-84
Govett said to have down-	Horth America (12) Copyright, FTSE Inter	rectored	Limited	1635,67 1997, A	A Hoha	reserved. F	gures i	. 2186.39 n bracket	a show

shares gave up another 2 to 207p, after heavy trading that brought turnover of Metals group Johnson Matthey eased 5 to 570%p with ABN Amro Hoare Govett said to bave downgraded its current year profits estimate. The broker is believed to have reduced the figure by £45m to £255m. The UK Series FTSE Actuaries Share Indices +0.5 4207.5 4237.4 4212.0 3752.8 3.66 2.07 18.47 4.31 1770.77 +0.1 4566.5 4582.7 4583.1 4128.9 3.41 1.50 24.43 4.94 1876.31 +0.1 4566.5 4582.7 4583.1 4128.9 3.41 1.50 24.43 4.94 1876.31 +0.4 2086.0 2099.2 2090.3 1865.8 3.61 1.96 17.68 2.16 1792.29 +0.4 1998.1 2011.8 2007.1 1866.3 4.71 1.84 14.39 2.56 1448.08 +0.4 2161.6 2194.3 2180.8 1870.2 2.50 2.18 22.94 1.72 1539.31 +0.2 2292.17 2292.36 2291.69 2021.87 2.85 1.65 25.68 2.75 1921.99 +0.3 2302.80 2301.78 2303.01 1394.77 3.11 1.72 23.30 2.68 1945.60 FISE 250 FISE 250 ex IT FTSE 350 FTSE 350 Higher Yield FTSE 350 Lower Yield

FTSE SmallCap ex IT FTSE All-Shore	2068.16		2302.80						1,72			1945
E FTSE Actuaries Ind				2011.0	3 2003	.,,	1040.21	3.30	1,94	16.12	2.16	1796
E PISE ACCUATION THE	mout a	XY'S	113				Year	Div.	Net	PYE	Xd ad	. Tot
	Jan 30 d	nge%	JBJ 28	Jan 2	8 Jan	27	ago	yield%	COVer	ratio	_ ytd	Ret
10 MINERAL EXTRACTION(21)	4102,75	+0.5	4082.60	4114.5	8 4074	.10	3236.38	3.47	1.72	20.97	0.00	1798
12 Extractive industries(5)	3898.80		3937.01						2.67			1162
15 Of, Integrated(3)	4235.84		4218.81						1.55			1907
18 Oil Exploration & Prod(13)	3543.79	+2.8	3541,46	3510.8	8 3482	,55 2	2085.69	1.43	1,90	45.23	0.00	2200
20 GEN INDUSTRIALS(278)	2024.12		2026.24						1.87		1.34	1133
21 Building & Construction(35)	1330.54		1332.24						1.61			1136
22 Building Matts & Merchs(31)	1869.81		1880.32					4.17	1.39			966
23 Chemicals(26) 24 Diversified Industrials(17)	2338.90 1489.13		2341.81 1493.26						1.44			1135
25 Electronic & Elect Equip(39)	2334.44		2326.73						2.59 1.32			863 1239
26 Engineering(71)	2513,47		2608.09						2.34			1817
27 Engineering, Vehicles(13)	2835.47	-	2934.31						1.71			1550
28 Paper, Pokg & Printing(27)	2488.67	-0.7	2505.02						1.79		0.00	1061
29 Textiles & Apparel(14)	1090.68	-0.3	1094.01	1082.6	0 1076.	48	1492 <u>6</u> 4	6.44	1.28			690
30 CONSUMER GOODS(86)	3860.90	+1.0	3824.55	3846.6	9 3833	113	3694.29	3 75	1.85	13.00		1463
32 Alboholic Beverages(7)	2664.42		2658.44						1.87			
33 Food Producers(25)	2659.20	+02	2653.25	2665.7	1 2647.	.94 2	2623.86	4.12	1.76			123
34 Household Goods(17)	2658.65		2646.21						2.23	14.83		107
35 Health Care(17)	2100.85		2090.37						1.94	22.97	3.40	130
37 Pharmoceuticals(18)	6052.28		5944.84						1.73			209
8 Tobacco(2)	4071.26	_	4091.50		_	_	_		2,13	9.22	0.00	104
IO SERVICES(273)	2643,49		2638.22						2.01	21.94	4.48	140
1 Distributors(30)	2814.29		2885.92						2.01		0.00	105
L2 Leisure & Hotels(31) L3 Media(44)	3414.34 4274.83	+0.5	3398.53						2.05		18.16	
4 Retailers, Food(15)	2058.43	45.2	4278.51 2055.18						2.13			156
5 Retailers, General(53)	2054.68		2041.07					2.85 3.15	2.31			134
7 Breweries, Pubs & Rest (22)	3344.21		3361.12					3.25	2.10			120
18 Support Services(55)	2876.98		2878.66						2,44			185
8 Transport(22)	2759.52	+0.4	2748.27	2754.1	8 2758.	.79 2	2315.86	3.48	1.23			118
O UTILITIES(30)	2651.87	+0.4	2640,68	2967.7	3 2669	742	2431.41	5.07	1.70		. 3.13	120
Z Electricity(10)	2935,35	+1.5	2890.55	2906.9	5 2818.	68 2	725.91	5.91	2.15		13.53	181
4 Gas Distribution(1)	1456.88	-0.7	1456.95	1503.9	6 1517.	42 1	1580,62	6.37	0.54			797
35 Telecommunications(8)	2208.99		2214.18					3.78	1,54		0.00	104
38 Water(11)	2480.18	+1.6	2442.30	2452.5	4 2463	99 2	3090.30	6.00	2.32	8.98	0.00	143
F NON-FINANCIALS(883)	2127,18	+0.4	2119.48	2131,3	6 2122	62 1	1941.60	3.62	1.85	18.69	2.70	166
O FRIANCIALS(107)	3750,44	+0.8	3727.73	3754.4	8 3743	77 2	2948.66	3.55	2.38	14.77		165
1 Banks, Retali(8)	5478.75	+0.7	5441.38	5482.1	2 5444.	19 4	215.58	3.33	2.74		0.00	183
73 Insurance(19)	1681.02		1660.96					4.97	2,30			730
4 Life Assurance(7) 7 Other Financial(29)	4341.27		4339.65					3.56	1.76		0.00	184
9 Property(44)	3083.29 1818.70		3059.18 1806.60						2.04			179
O INVESTMENT TRUSTS(127)	3252.05						_		1,32			115
			3248.95	$\overline{}$	_		_		1.13	50.55	3.64	115
R FTSE AB-Statre(917)	2069.16		2058.82				_	3.56	1,94	18.12	2.16	179
ISE Fledging	1291.06	+0.9	1267.79	1288,4	4 1288.	13 1	1139.63	2.99	0.44	100.08		137
TSE Redging ex (T	1311.83	+0,3	1306.00	1308.5	4 1309.	28 1	135.20	3.27		100.08		1400
Hourly movements												
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TSE 100 TSE 250 TSE 350	4222.6 4561.5 2091,4	4562. 2092.	3 4562 0 2093	2.6 450 3.4 200	64.1 45 91.1 20	564.1 A	4564,4 2093 2	4224.7 4585.5 2092,8	4224.0 4567.1 2092.5	4228.8 4572.5 2094.9	4229.7 4672.8 2085.2	4219.7 4561.5 2090.5
M FTSE 35	Open Open				12.00						(16/07/96) .	

Notice to Noteholders of The Export-Import Bank of Korea

U.S.\$100,000,000 Floating Rate Notes due 1997

The Fiscal Agent wishes to advise Notcholders under the ie that redemption notices for payment on the 25th March, 1997 should be lodged with themselves by no later than 17.00 hours (New York time) oo the 21st February, 1997.

Redemption ontices shall be made in accordance with the Terms and Conditions for the issue Clause 5(d) - The Issuer will, at the option of the holder of any Note, redeem such Note on any Interest Payment Date falling in or after September 1995 at its principal amount. To Exercise such option the holder must deposit such Note, together with all Coupons relating to it which mature after the date fixed for redemption, with any Paying Agent together with a duly completed redemption ontice in the form obtainable from any of the Paying Agents, oot more than 60 nor less than 30 days prior to such date. No Note so deposited may be withdrawn (except as provided for in the Fiscal Agency Agreement) without the prior consent of the Issuer.

Fiscal Agent Contact information: **LTCB Trust Company** 165 Broadway, New York, NY 10006, USA Fax No: +1-212-608-9349 Tel. No: +1-212-335-4899 Attention of Trust Dept.

CONFEDERATION LIFE INSURANCE OF CANADA 9.875% BONDS - DUE 2003

Holders of these securides would be interested to hear from any person or companies who currently hold the above bond in relation to which an Event of Default was apparently committed in August of 1994. Consideration is being given to the formation of a bondholders action group with a view to taking action in the liquidation being cooducted in

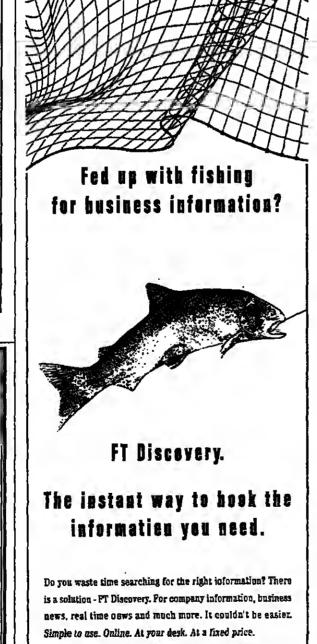
If you would like more information without obligation, theo please contact the Trustee as soon as possible at the address

Michael J Brady Corporate Trust Officer Montreal Trust Company of Canada 151 Front Street West Smite 605 Toronto, Ontari M51 2N1 Tel: 00 1 416 981 9632 Fax: 00 1 416 981 9777

APPOINTMENTS

PORTFOLIO MANAGER

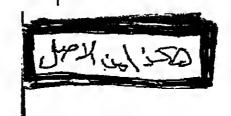
specific personal focus on the Asian markets. As this case its share of the market place it is essential for the inc to instil confidence in prospective clients by demonstrating management experience. Incumbent will also be required to our it strategy and the building and mai t products., Salary negotiable. Applications for MBA standard and CFA qu rial Times, One Southwark Bridge, London SE1 9HL

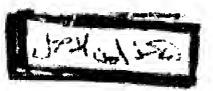


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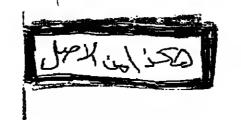
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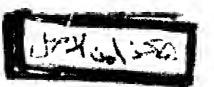
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September 1975 Comments



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3:

US shares pare strong early gains

Blue-chip shares waxed and waned on Wall Street in tandem with the bond market yesterday while technology issues were broadly stronger as they bounced back from recent weakness, writes Lisa Bransten in New York.

The Dow Jones Industrial Average jumped nearly 50 points in early trading as the yield on the benchmark 30year Treasury fell, but the blue chip index retraced its



gains as the long bond yield once again epproached 6.9 per cent.

At 1 pm, the Dow was 16.93 stronger et 6.757.67. The more broadly-traded Standard & Poor's 500 had added 3.19 at 775.69. Volume on the NYSE came to 291m shares.

Technology shares were also well off their session highs. The Nasdaq composite, which is weighted toward that sector, eurged more than 26 points in morning trading before falling back with a gain of 5.99 at 1.361.66 by early afternoon, the best upside per.
The Pacific Stock rising 0.5 per cent.

Exchange technology index, which includes both Nasdaq and NYSE companies, was 1.1 per cent stronger. The Nasdaq was boosted

by gains from its three largest components. Intel added ada car \$2% et \$157%, Microsoft was C\$49.70.

\$1% stronger at \$98% and Cisco Systems climbed \$1%

TWA shares jumped \$4 or 9 per cent to Soll on reports that a New Jersey company allied with the Russian air-line, Transaero, had offered to take a controlling stake in

especially strong yesterday with the Morgan Stanley index of consumer companies adding 0.4 per cent, while the counterpart index of cyclical shares was just 0.1 per cent stronger. Rising consumer compa-

nies in the Dow included Procter & Gamble, up \$2 at \$113%, Philip Morris, \$2 stronger at \$118%, and Merck, which climbed \$1 at

Dow Chemical slipped \$1/4 at \$78% in spite of reporting fourth quarter earnings that were slightly ahead of analysts' estimates. Jeyhawk Acceptance, a

consumer lending company, tumbled \$4% or 60 per cent to \$31/4 after reporting a loss for the year because of a charge taken in the fourth quarter due to bad debts.

TORONTO failed to match Wall Street's early gains. slipping lower in a morning session which was domineted by the weakness of gold shares

At noon, the 300 composite index was 4.69 lower at

Barrick Gold ended the opening session with a decline of 45 cents to C\$36.60 while the gold sector as e whole fell by almost 1 per

Oil and gas stocks staged the best unside performance.

Trading among the leaders was generally mixed. Alcan Aluminium added 55 cents to C\$47.30 but Northern Tele-C\$93.60. Royal Bank of Canada came off 20 cents to

Santiago 1.8% ahead

SANTIAGO stood 1.8 per Street, a new government cent higher at midsession, bond placement and optitaking its lead from the mism over the current corpostrong early showing of Wall rate reporting period. The Street and the firm tone in Merval index was 7.53 higher neighbouring markets. The at 684.42 by midsession. IPSA index rose 1.89 to 109.97 as investors awaited fourth index had bounced up 3.1 per quarter earnings figures cent over the previous two from Endese, the power giant, later in the day.

Analysts said that the hydro-electric generator's earnings were widely expected to fall sharply as e result of the drought which had pushed up operating costs. **BUENOS AIRES** resumed its climb, helped by Wall higher et 3,652.41.

Analysts noted that the sessions following e 4.4 per cent four-session slide.

MEXICO CITY moved higher at midsession on what traders said was light buying of blue chips for month-end portfolio valuation purposes.

The IPC index was 30.79

South Africa slides lower

FT/S&P ACTUARIES WORLD INDICES

Shares in Johannesburg moved sharply lower for the down by edverse futures trading and continued weakness for the bullion

The all-share index ended off 29.3 at 6,658.2 following a decline of 48.4 to 7,962.6 for the industrials index points in two days' trading.

NATIONAL AND REGIONAL MARKETS

Dealers said the market was driven lower by a combination of bullion worries and heavy selling of randsensitive stocks. Sasol fell R2 or 3.8 per cent to R51.25. Richemont lost 75 cents to R62.50.

The golds index retreated 19.8 to 1.365.7 for a near 5 per cent fall in two straight

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0.8 263.83 222.06 248.26 -0.3 216.14 181.92 201.73 -1.0 331.93 276.39 309.81 0.7 122.53 103.98 115.30 0.2 162.10 136.44 151.30 0.8 281.73 267.13 262.95 -0.4 193.10 182.54 180.23 -0.3 286.24 240.93 267.17 0.1 165.24 139.06 154.23 0.5 200.00 188.34 186.87 0.4 255.61 216.15 238.58

Shares in PARIS rose to an all-time high on e wave of

earnings euphoria, another market rates and renewed Alcatel Alsthom, bnoyed by news of a spectacular

profits turnround, shot up by 15.5 per cent, and there were strong earnings-driven gains too at Saint-Gobain and Danone.

Having lagged the market significantly since September, when the shares stood at FFr368, Alcatel hurtled ahead by FFr70 to FFr523 in 4.8m shares, after declaring that 1996 net profits were expected to emerge et FFr2.5bn. This was around FFribn more than most analysts' estimates and compared with e loss of more than FFr25bn in 1995, when the electronics and defence group took massive restructuring costs on board. Saint-Gobain gained FFr38

or 4.7 per cent to FFr850 after Poliet, e big unit, turned in solid results and Danone edvanced FFr22 to FFr844 following the announcement of better than expected figures late on

Sanofi, the drugs group which had been widely seen as a Rhône-Poulenc takeover target, added FFr6 at FFr553; and speculation about e



global scramble for hotel assets got behind Accor with Bass, the UK brewer, seen at one stage as e favourite to bid. Accor ended FFr21 or 3 per cent higher at FFr726. The CAC 40 index ended 38.05 or 1.5 per cent higher at 2,503.06. Michelin gained

FFr10.20 to FFr320.50 on news of possible plans to list on Wall Street. Peugeot jumped FFr30 to FFr598 on talk of e buy note from e ZURICH returned to its record-setting ways as strong demand for pharma-

up 39.4 to 4,209.L Clariant added SFr11 to SFr666 in an upbeat response to its higher 1996

ceuticals took the SMI index

double digit increase. Roche certificates, up in recent days on various rumours continued to power ahead, rising SFr90 to SFr12,000. Nestlé jumped SFr38 to SFr1.538 on strong demand from a leading bank follow ing a new study on the food

Banks underperformed on news that the city and state of New York had warned that they were considering punitive measures against the sector unless Switzerland set up a fund to support Holocaust victims. UBS fell SFr8 to SFr1.175. Among the insurers, however, e SFr12 rise to SFr398.50 in Zurich Insurance was attributed to strong demand from the US. FRANKFURT majored on

insurers after Goldman Sachs npgraded Alllianz from "market performer" to "outperformer", apparently oo e valuation basis. Allianz leapt DM158 or 5.4 per cent to DM3,062.50, taking its gains to 10.5 per cent in less than a week; other insurers followed, and Munich Re registered rose DM132 or 3.6 per cent to DM3,813.

moments. BMW put on DM16 at DM1,054.50 after a 13 per cent rise in 1996 sales, and Porsche prefs rose DM50 or 3.7 per cent to DM1 390. Mr Christopher Wills of Lehman sales and on expectations Brothers, a recent bull of that earnings would show a Porsche, said that talk of

of T\$81.4bn.

recovering 5.79 to 820.18.

Carmakers had their

FTSE Actuaries Share India FISE Eurotrack 100 2043,53 2044,32 2045,15 2045,36 2045,56 2045,30 2044,93 2045,32 FISE Eurotrack 200 2078,25 2077,34 2077,88 2078,54 2051,32 2079,58 2079,74 2080,47 2033.21 2042.48 2068.75 2078.89

Alcatel up 15.5% as Paris hits all-time high

outsourced to Valmet, the Finnish engineering group. could allow the German carmaker to eccelerate the introduction of the highlyprofitable 996 model.

DM1.26bn. AMSTERDAM moved ahead, but volume was thin

session. The AEX ended 2.46 higher at 675.09. Hoogovens and VNU, both hit hard on Wednesday, had the best of the gains among

Among second liners, Stad

13.00 14.00 15.00 Close

Boxster production being F176 on dividend news and HBG jumped Fl 5.00 to Fl 387 after a buy note from Robert Fleming set a target price of FI 523 for the shares

The Dax index closed 20.63 higher at 3,018.58. Turnover rose from DM10.3bn to DMIL5hn, with Allianz leading active stocks in

and there was little real

the leaders, gaining FI 1.40 to F172.60 and 60 centimes to F135.80 respectively. Aegon. off F12.10 et F1115, ran into profit-taking and revived concern about tough trading in the music business pushed PolyGram down by 80 centimes to FI 82.20.

Rotterdam gained F11.90 to Mibtel index finished 47

2087.64 2038.12 2052.98 2070.13 2078.54 2083.05

MILAN marked Olivetti down 5.4 per cent in response to Wednesday's preliminary 1996 results which showed e pre-tax loss of around L800bn and sales down 16 per cent. The shares tumbled L35.1 to L615.9 in

hefty volume of 76m shares. Cir, Mr Carlo De Benedetti's industrial holding company, picked np L21 to L1,177 on news that it had reduced its stake in Olivetti to 9.3 per cent from 12.8 per cent at the end of 1996. Cofide, the De Benedetti financial holding company, gave

up L8.8 to L741.4. Elsewhere, Fiat had a vola tile session, turning back from a high of L5,285 to close L74 weaker at L5.150 ahead of 1996 results after the market closed. The Comit index eased 0.08

to 770.74 while the real-time

higher at 12,246, but off high of 12,354.

MADRID fell again in what traders saw as e technical move, the general index losing 1.51 at 459.49. Repsol, the oil company, lost another Pta140 at Pta5,530 after flat earnings this week and a sell order out of the US yesterday.

STOCKHOLM featured a rise of SKr18 to SKr1,109 in Hennes & Mauritz, the high flying fashion retailer which came in with results as expected, but added the prospect of a five for one share split. The Affarsvärlden Generai index rose 14.7 to 2,544.3. COPENHAGEN peaked

with the KFX index 1.21 higher at 145.43. Tele Danmark rose DKr10 to DKr364 on a streamlining programme involving 2,000 job. eses by mid-1998. The roadbuilder, Phoenix.

climbed DKr30 to DKr620 on a takeover bid from the conetrnction heevyweight, Superfos, which itself ended DKr15 higher at DKr285. DUBLIN put in a strong

performance, taking its lead from other European markets. The ISEQ index rose 28.29 to 2.883.15 as strong demand, in parallel with a stock shortage, tended to evacyerate the advance.

Written and edited by William

Tokyo drops 2.6% on short-term profit-taking

Investors took profits after steep gains in share prices over Tuesday and Wednesday, and TOKYO dropped by 2.6 per cent, writes Gwen

The Nikkei 225 everage fell 471.26 to 17,864.04, after trading between 17,781.89 and 18.365.64. Profit-taking hit share prices from the outset as securities houses and foreign investors sold international blue chips and banking issues, and corporate investors unloaded stocks to generate profits ahead of the closing of books for the

March 31 year-end. Remarks by the finance minister, Mr Hiroshi Mitsuzuka, signalling yet again that the government had no plans to support the stock market, depressed sentiment further in the afternoon.

Volume stayed at an estimated 446m shares. Declines led advances by 835 to 277 Topix index of all first- a government announceweighted Nikkei 300 was

down 3.94 et 255.85.

Banks mostly retreated after gaining in recent sessions. Industrial Bank of Japan fell Y60 to Y1,470 and Bank of Tokyo-Mitsubishi Y40 to Y1,720. Hokkaido Takushoku Bank, which was downgraded earlier in the week from stable to negative by Moody's, the credit rating agency, shed Y15 to Y158. However, Sakura Bank rose Y10 to Y665 and Dai-Ichi Kangyo Bank Y10 to Y1.260. Profit-taking focused on

blue chips. Sony fell Y100 to Y8,150, Canon Y90 to Y2,540 and Honda Y50 to Y3,280. Toyota shed Y80 to Y3,150 after its house union announced that it would demand a large increase in annual bonus payouts. Laggard carmakers, however, gained ground with Mazda

up Y7 at Y403 and Isuzu

Motors Y5 at Y480. Some denying plans for e probe electricals rose, Sharp into stock market trading.
adding Y30 to Y1.570. The composite gained 72.44

Real estete developers retreated after recent gains. Mitsui Fudosan fell Y30 to Y1,240 and Mitsubishi Estate Y20 to Y1,330. Retailers fell on Wednesday's announcement of poor December sales. Mitsukoshi shed Y42 to Y701. Tokyu Department Store Y30 to Y431 and Seven-Eleven Japan Y120 to Y6,870.

Steelmakers drew buying interest from foreign investors. NKK, the day's most ective issue, rose Y2 to Y245 and Kawasaki Steel added Y6 to Y297 In Osaka, the OSE average

fell 156.61 to 18,797.70 and volume surged to 107m SEOUL jumped 2 per cent

as the government pumped cash into the money market to avoid a credit crunch following the faflure of Hanbo Steel last week. The composite index

with 126 unchanged. The closed 12.96 higher at 676.52; section stocks slid 20.74 to ment that inventory growth 1,345.70 and the capital- slowed in December also beloed sentiment. LG Metals, however, fell

Won1,200 to a limit low of Won13,800 on rumours that it faced financial problems due to the company's big speculative positions on the London Metal Exchange. Analysts noted that LG had had said that no loss had been incurred in its metal futures trading, but it did not mention its open positions on the LME. Shares of chipmakers were

unaffected by news that Samsung Electronics would tion further. Samsung Electronics and LG Semicon closed unchanged et Won47.100 and Won20.100 respectively.

TAIPEI moved aheed, helped by Wall Street's overnight gains and a statement from the finance ministry

184.43 224.61 188.44 193.52 155.64 195.04 174.70 185.61 192.02 233.47 203.64 211.03

| 181.43 | 187.07 | 183.01 | 184.43 | 224.81 | 188.44 | 181.43 | 187.07 | 138.94 | 155.74 | 155.64 | 185.04 | 174.70 | 1225.57 | 210.48 | 175.04 | 196.20 | 192.02 | 233.47 | 203.64 | 2 206.72 | 182.20 | 159.84 | 179.15 | 401.32 | 211.61 | 474.66 | 188.02 | 182.34 | 151.84 | 168.97 | 192.02 | 201.62 | 153.61 | 134.18 | 221.81 | 221.61 | 247.46 | 211.51 | 197.20 | 184.00 | 183.83 | 187.11 | 215.66 | 182.51 | 184.23 | 169.65 | 141.06 | 183.83 | 187.11 | 215.66 | 182.51 | 184.23 | 169.65 | 141.06 | 158.14 | 158.14 | 191.17 | 184.47 | 1498.11 | 456.68 | 381.46 | 427.57 | 496.12 | 614.45 | 402.53 | 427.99 | 228.35 | 189.91 | 212.87 | 360.85 | 363.22 | 254.35 | 242.14 | 271.42 | 260.42 | 333.22 | 254.35 | 243.91 | 363.84 | 72.22 | 80.85 | 113.85 | 363.2 | 70.61 | 112.29 | 103.40 | 85.99 | 63.90 | 66.68 | 112.21 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.15 | 124.

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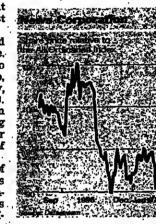
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133,98 123,38 102,90 115,01 176,79 162,78 135,39 151,75 305,13 280,97 233,67 281,92 211,73 194,96 162,14 181,74 313,71 288,88 240,24 268,29 180,29 188,01 188,01 154,75 217,28 200,07 168,39 188,51 278,20 256,18 213,05 238,80

worries ebont the haht which lost ground against the dollar. to 7,221.98 in heavy turnover Telecommunications and

energy stocks were active. Electronics, bnoyed by the TelecomAsia added Bt1.25 to surge in New York for IBM. Bt50.50 and Advanced Info, led the upturn with a sector heavily sold on Wednesday, gain of almost 2 per cent. picked up Bt4 to Bt250. Samsung's Dram production Finance One was again ectively traded, ending cut also helped some Dram-Bt0.25 higher at Bt37.25 after linked shares, notably Acer touching e low for the day of which put on 50 cents to T\$51 and Taiwan Semicon-HONG KONG ran out of ductor, 50 cents higher at

steam as property issues BANGKOK clawed back some of Wednesday's heavy cerns ebont interest rates losses, with the SET index continued to dampen sentiment. The Hang Seng index The latest trade data was turned back from an early 13,288,40 to close 2,97 higher said to have been relatively



HK\$10bn. Against the frend. banks performed well ahead supportive but there were at 13,288,40 in turnover of of 1996 results. HSBC Hold-

HK\$177.50 and Bank of East Asia, with results due next Monday, rose 50 cents to HK\$35.80 SYDNEY edged higher

with gains among banks offset by e bad day for News Corporation. The All Ordinaries index added 3.5 to NAB rose 11 cents to

A\$15.78 as hopes for an interest rate cut continued to underpin the sector. Bank of Melbourne jumped 31 cents to A\$8.91 on takeover talk. News Corp was hit by speculation that the group would fall short of broker profit estimates. The shares fell 20 cents or almost 3 per

We thank the following individuals for sharing their strategic insights at our

Latin American Equity Conference "1997: The Direct Route to Profitability"

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Finance Minister of Peni

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sé Antonio Ocampo Gaviri

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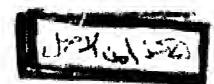
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December 1996

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January 31 19

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has merged with

Infinity Broadcasting Corporation

The undersigned initiated the transaction and acted as financial advisor to Westinghouse Electric Corporation.

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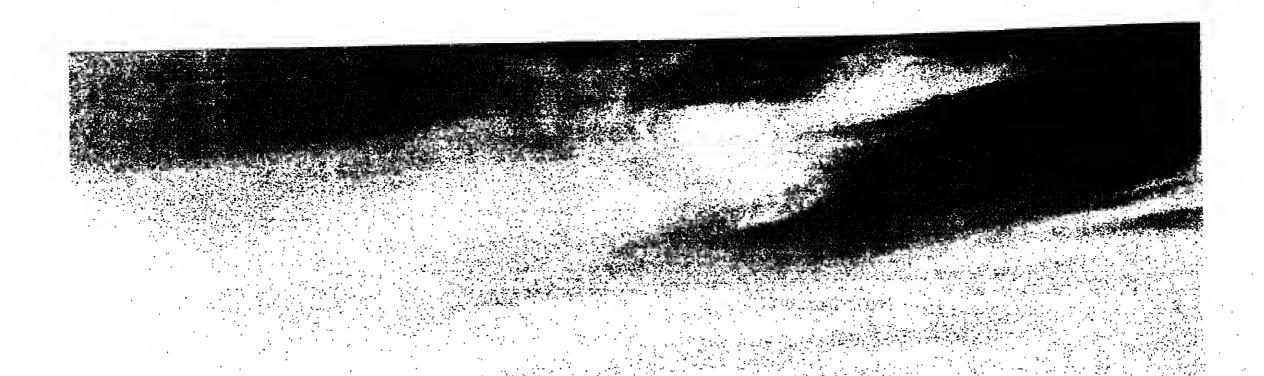
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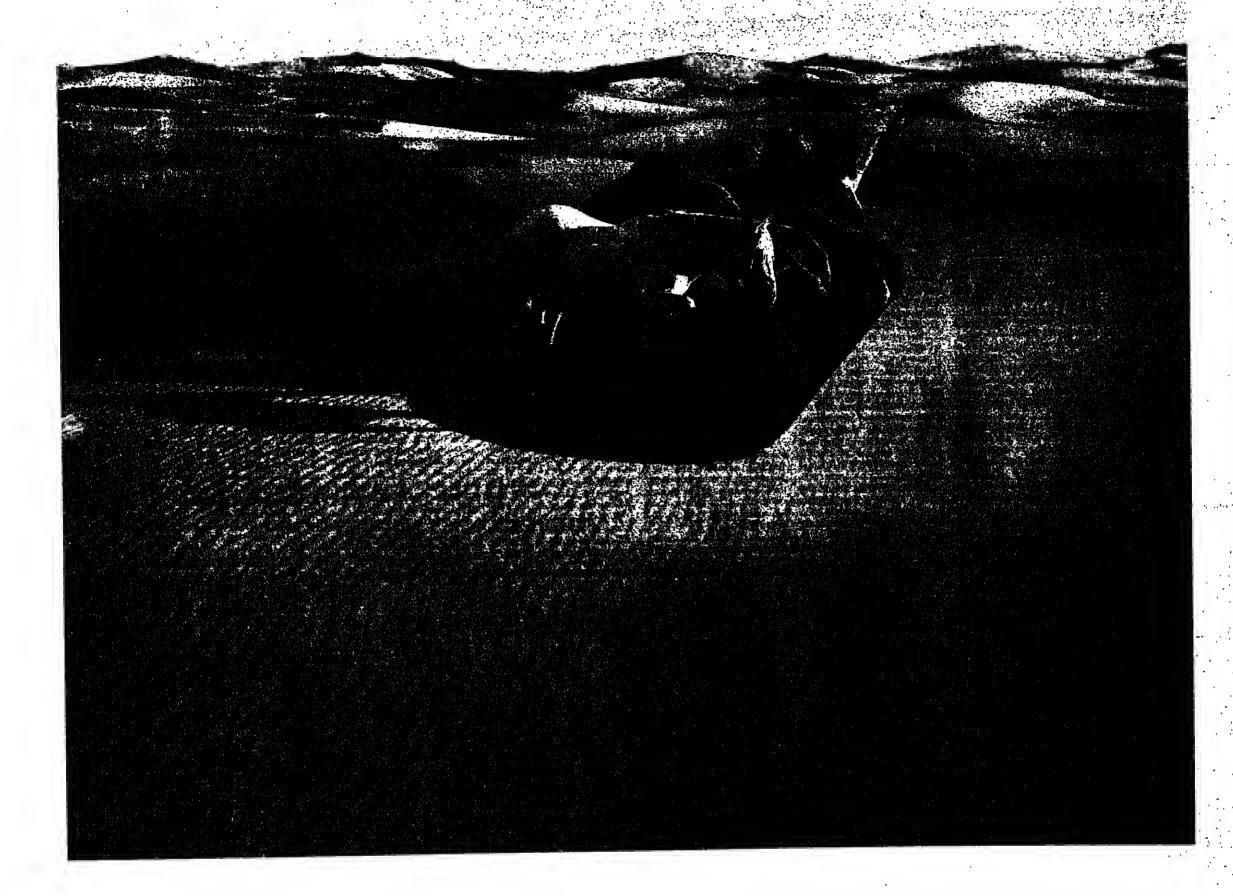
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BOTH WITHIN THE GROUP COMPANIES

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AT LEAST 12%: ANNUAL GROWTH OF EARNINGS

PER SHARE: 7-12%. . A GOOD TRACK RECORD IN MEETING

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But it's certainly not the end of the story. Fortis has adopted a strategy of growth. The achievement of this strategy is based on a market vision that

can be described as multi-domestie, multi-product and multi-channel. It is multi-domestic in the sense that at Fortis we see every country where we operate as a home market, enabling us to respond effectively to the needs of that market. By multi-product we mean that in principle the number of products and services we can deliver is unlimited. Whatever the market demands

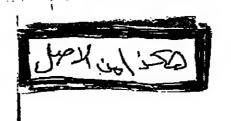
> Fortis can introduce and will do so, provided it helps to achieve our profit . objectives. Finally, multi-channel is our way of emphasizing that we plan to reach the client through a variety of distribution channels.

To sum up, this market approach is successful because it meets the wishes of individual clients as closely as possible. And in the coming years it will become even more successful by exploiting the benefits of synergy and the exchange of knowledge and experience within Fortis.

In other words, it is the sure basis for a productive future. For more

information, please call: +31 (0) 30257 6549 (NL), +32 (0) 2220 9349 (B).

INSURANCE - BANKING - INVESTMENTS



3:

International bond market: by Conner Middelmann

Market set for more growth Emu concentrates

A benign economic and interest rate environment fuelled the surge

The international bond market has been growing by leaps and bounds in recent years, and observera eay 1997 is set to become another

During 1996, borrowers issned \$749.6hn in international honds - including domestic bonds such as Yankees and Samurais - up sharply from 1995's recordbreaking \$515.4bn, according to information published by Capital Data Bondware.

Last year's issuance boom was fuelled by a variety of factors, including a benign economic and interest rate environment, investors' need for diversification and hunger for yield, the emergence of new horrowers and, in Europe, the convergence rally in the run-up to European monetary union.

US dollars eccounted for 41 per cent of issuance, up from 35.8 per cent in 1995. They were followed by D-Marks, which eccounted for 15 per cent; this sector henefited from consistent arbitrage opportunities in the three- to five-year part of the yield curve, the growth of an asset-backed market and the evolution of the market for "jumbo-Pfandbriefe", internationally merketed mortgage bonds. Japanese yen came third with a 12 per cent share.

The sterling sector increased sharply, eccounting for some 7 per cent of total eurobond issuance, from 4 per cent in 1995, Some \$52.5hn equivalent of sterling bonds were issued last year, against \$21bn in 1995.

This was triggered by a resurgence in demand for sterling bonds from international investors, thanks to the hefty yield premium sterling bonds pay over most other European markets, and was helped further by nities, especially in the

US dollar

Sterling

Total'

Japanese yen

French franc

Swiss franc

Dutch guilder

Merrill Lynch

Morgan Stanler

SBC Warburg

J P Morgan

Lehman Bros

Normura Securities

Goldman Sachs

CS First Boston/Credit Sulis

Deutsche Morgan Grenfell

Union Bank of Switzerlan

Canadian dollar

Deutsche mark

three- to five-year sectors.
In the low and stable government bond yield environment, many investors con tinued their search for yield and chose to move down the credit curve to pick up extra incoma. This prompted a surga of issuance from emerging-market borrowers, whose lowar credit ratings require them to pay higher yields on their bonds than

higher-rated issuers. Borrowers in eastern Europe, emerging Asia and Latin America raised nearly \$89bn in new bonds last year - including Yankees and Samurais - almost twice the \$48bn issued in 1995. Latin America accounted for the hulk of issuance with \$47bn. followed by \$37bn in Asia and \$4.4bn in eastern Eurobe.

High-profile soverelgn debuts included issues for Kazakhstan. Russia, Romania and Slovenia. More firsts are expected this year, including offerings from Ecuador, Croatia, Ukraine and the Sultanate of Oman.

Mexico and Argentina made large and regular foravs into the market without compromising their trading spreads. Mexico became the fourth-largest issuer in the internetional hond market with \$13.5bn, up from 17th place in 1995, while Argenting ranks sixth with \$10.5bn, after ranking 19th in 1995. And they've already been back this year: Mexico recently launched e \$1bn 10year global bond while Argentina just issued \$2bn of five-year and 20-year global

At the same time, vield spreads on emerging-market paper declined sharply, indicating continued strong demand for such paper. For example, Mexico's five-year bonds, issued in January 1996 at 445 basis points over US Treasuries, now trade et e spread of ebout 245 basis points.

Investor interest in emerging currencies also grew significantly as the decline in interest rates in traditional higher-yielding currencies. such as Italian lira, and Aus-

Volume of International bond issuance: (including Yankees and Samurals)

• %

17.37

16.68

4.12

2.49

5.71

3.16

1.39

Top 10 bookrunners of International bonds: (excluding Yankees and Samurai

51.80

37.06

36.50

34.14

33.77

28.23

28.03

27.12

24.93

24.67

100.00

USSm

198,408.77

89,519.23

85,995.05

21,221,14

12,853,93

29,452,43

16,273.76

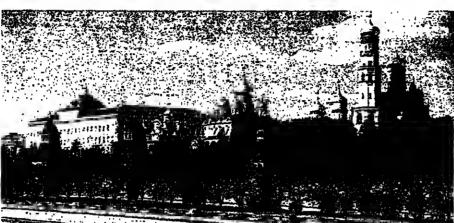
2,674.90

7,183.57

515,414,51

Top 10 issuers of international bonds: (including Yankees and Samurais)

	1996			1995				
teauer or Group	Rank	U\$\$bn	No	%	Rank	US\$bn	No.	%
European Investment Bank	1	22,30	105	2.98	:- 1	15.53	55	3.01
Commerzbank	. 2	14.50	60	1,93	. 7	7.53	26	1.46
international Bank for Reconstruction and Development	3	14.36	73	1,92	. 8	8.36	21	1.62
United Mexican States	4	13.52	11	1,80	17	4.75	6	0.92
Caisse d'Amortissament de la Dette Sociale (CAD)	, 5	10.88	. 2	1.45				
Republic of Argentina	6	10.15	30	1.35	16	4,40	. 12	0.85
Deutsche Siedlungs- und Landesrentenbank	. 7	6.46	47	1.26	10		•	1.37
Kingdom of Sweden	6	6.34	53	1.25	2	14,92	38	2.90
Deutsche Pfandbrief- und Hypothekenbank	9	9.21	34	1.23	. 6	7.39	21	1.43
Alobey National	10	8.88	39	1.18	. 27	3.28	17	0.64
Total* The locals include other inquers which have been and	abded from	749.57 the table	4,702	100.00		515.41 Source: Ca	•	



last year was the shrinkage

of the Brady bond market, to

the advantage of the euro-

bond sector. This was partly

due to formal exchange pro-

grammes by governments

wishing to convert their

Brady bonds into uncollater-

alised eurobonds, like the

\$1.75bn Mexican and the

\$690m Philippine axchanges.

In addition, several billions

of dollars of Brady bonds

were hought by financial

institutions who repackaged

them and sold them on to

eurobond investors, particu-

This year, observers

expect to see more floating-

rate note Issuance amid

expectations of rising US

interest rates, an increasing

amount of issuance by

emerging-market cities and

municipalities who use the

eurobond market as an alter-

native to domestic markets,

and a broader range of cor-

porates and banks from east-

ern Europe and Latin Amer-

Another fast-growing seg-

ABSs). Growth was espe-

cially buoyant in Europe,

been slower to take off than

times the \$39hn sold in 1995. European borrowers' share

22 per cent from 11 per cent in 1995, while US issuers

accounted for 66 per cent, up

only slightly from 64 per

The most prominent ABS

transections last year

included e FFr40hn deel.

called Cyber-Val. for EPFR,

the French government-

guaranteed entity set up to

help rescua Crédit Lyonnais:

a \$4hn issue for GPA, the

Ireland-based aircraft leasing

company; and the Spanish

government's Pta715bn bond

in the US.

cent in 1995.

larly in D-Marks.

tralian or New Zealand dollars, shifted the spotlight to higher-yielding markets such as Czech koruna, South African rand, Hungarian forint and Polish zloty.

"The convergence of European currency yields caused by EMU has led investors to look for the next level of possibly converging economies in Europe," says Alison Sparks, director, debt capital markets at Credit Suisse First Boston. "The improving fundamentals in many emerging country economies have made the potential for currency appreciation, as well as the potential for interest rate declines, much greater.

One interesting feature

41.42

12.10

14.80

7.01

7.21

3.55

2.87

0.65

0.62

100.00

30.45

23.03

25.99

15.34

17.67

25.88

19.39

17.61

23.94

15.83

464.56

190

151

147

62

116

747

61

83

195

114

3.345 100.00

1,432

1,268

410

126

316

100

33

4,702

6.55

4.96

5.59

.3.30

3.80

5.57

4.17

3.79

5.15

3.41

USEm

310,457.17

90,705.22

110,928.26

52,520,32

54.076.58

25.577.28

21,509.51

6,344.09

4,632.24

749,570,50

ins.

1;097

1,037

334

106

284

3,603

283

235

198

107

179

161

160

151

170

676.63 4,382 100.00

7.66

5.48

5.39

5.05

4.99

4.17

4.14

4.01

issue securitising nuclear

moratorium debt. Heavy ABS issuance was fuelled partly by investor demand for higher-yielding, liquid, floating-rate product. Financial institutions, keen to boost their returns, were

especially heavy huvers. But issuers, too, have grown keener to use securitisation, which allows many of them to cut horrowing costs and brosden their funding base, "In Europe, securitisation is becoming a more widely eccepted corporate-finance tool," says one

Meanwhile, the bookrunners' league tables remained firmly dominated by the US investment banks, with Merrill Lynch in the lead, followed by Morgan Stanley. SBC Warburg, Goldman Sachs. JP Morgan and CS First Boston.

The US houses benefited from the surge in dollar issuance and the growth in the asset-backed sector, where they are still seen to have an ment was the market for edge over their European asset-backed securities competitors.

another bumper year in the ception is growing that Lon- cants, including Poland, move elsewhere." where securitisation has international bond market is debetable, however, Some dealers warn that issuance According to Capital Data, might get depressed at times some \$102bn of ABSs were of volatility surrounding issued in 1996, nearly three possible interest-rate increases in the US, EMU-related political tensions in of ABS issuance doubled to Europe, or worries over the hand-over of Hong Kong to China this summer.

However, others are more optimistic. "The last two years have seen a large-scale migration of business from the domestic markets to the international market, and it's hard to envisage what would change that," saye Roger Bates, director, bond syndicate, et Deutsche Mor-gan Grenfell, "I am looking for continued growth though maybe not at such e dramatic rate as in 1996."

E Convergence in Europe: by Edward Luce

career minds

Leading banks have set up

working groups to examine the effect of monetary union

With about 300 working days to go before the European Union decides which of its members qualify for the European single currency, many of the continent's bond traders are worrying about their career prospects. The possibility that 13 of

the 15 EU member-states excluding the UK, which is sceptical, and Greece, which has almost no chance of meeting the criteria in time - will join the single currency at its planned inception on January 1 1999 is starting to exercise minds on trading floors.

in the past few months, almost every leading investment bank has set up inter nal working groups to look at what effect the abolition of most of Europe's currencies will have on their bond trading floors. Most have yet to reveal their findings, but few in the industry doubt that the shift will lead to redundancies.

There are undoubtedly going to be job losses in the hard-core countries expected to join Emu if the convergence process continues this year," said Mark Cliffe, chief international economist at HSBC Markets in London. "The reduction in the scope for arbitrage will take a lot of business away from the government hond markets."

Analysts say that even if the high-yielding economies, such as Spain, Italy and Portugal, fail to make it into the first wave of Emn membership, trading floors will still be hit hard, Trada in the hard-core, so-celled "haffling" countries, comprising Belgium, Austria, France, Luxembourg, Finlend, Ireland, the Netherlands and Germany, makes up the large part of business in

"If I was a French bond trader based in Paris I would be looking pretty carefully at my career plans at the moment," said Simon Briscoe, director of research at Nikko Europe in London. "There will be very little opportunity for straight govthe Euro replaces the

after 1999."

after 1999

since August last year might become a more regular phenomenon if problems arise during the early stages of Emu. The UK currency, in other words, could be viewed as a safe haven when the Euro hits rough patches, providing a similar outlet for nervous European investors as the Swiss franc has for German investors over the last two years.

The downside for Londonbased trading floors will also be limited by the fact that the City will almost certainly be the centre for arbitrage between the Emu "ins" and "outs" who will he linked by a new exchange rate mechanism (ERM2). Indeed, soma believe that

the untested mechanisms of ERM2 could in the short-term actually enhance the volatility of European markets. Critics say that ERM2 is "asymmetric" as member-states will be linked to the Euro as their anchor currency, but will only have limited call on the European central hank to intervene on their behalf. Tha temptation for competitive devaluation should not be underestimated therefore.

Another growing possibility is that there will be disputes within the Euro zone between a group led by France, which will lobby for the depreciation of the Euro against the US dollar to boost growth, and another led by Germany, which will want to shore up the Euro's integrity with tight monetary policies. Either way, the resulting uncertainty can only benefit trading floors.

"The euromarket could be highly volatile in the short-term," said Mr Cliffe. "There is a tendency for bond traders to think in doomsday terms, but a lot of the slack could be taken up by emerging east European bond markets and the relationship between the "ins" and the "onts",

Hungary and the Czech don will be the place to be Republic, could make up for part of the losses from the Some economists believe first wave, economists say. that eterling's exclusion In addition, new employ from the single currency will ment is likely to be created enhance London's primacy hy the further development as a centre for foreign of the eurobond market. exchange dealing in Europe which is considered to be streets behind its counter-Sterling's 14 per cent part in the US. The shift, for trade-weighted appreciation example, towards greater

and street largest for

ange-traded deri

securitisation in Europe has only just begun. Similarly, the abolition of currencies within the single currency zone and the adoption of a single interest rate will focus investors' ettention more strongly on credit risk than spreads after 1999. The spreads between French and Belgian bonds, for example, will be even narrower than at the moment, but the differences between debt to GDP ratios will have barely altered. The development of a more sophisticated credit risk markat in corporate eurobonds will also acceler-

"There will still be some spread trading between government bond markets after Emu," says Craig Shute, chief economist et Bear Stearns in London. So far, there is no common European epproach on how to convert netional currency debt into Euro-debt after EMII and there is little sign that there will be soon. Market confusion over this is likely to create its. own opportunities."

Over the next few months, however, question marks over the sustainability of the convergence process towards Emu, which has seen spreade on Italian bonds tightening from 430 basis points over 10-year German bonds to 160 basis points in just a year, is likely to overshadown speculation about the post-Emu market.

2.7.2

بالدوائل نصير

Many investors expect 1997 will become the year of divergence as markets look more closely at the economic fundamentals of countries such as Italy and pay less beed to their political will to meet the convergence crite-

In the short-term, therefore, the markets could become more lively before they quieten down. "The biggest profits last year were on convergence trade," said Mr The shift of trading after Briscoe. "This year it is ernment bond trading once EMU onto the second wave more likely to be from diverof entrants and the prospec- gence. But in the long-run Whether 1997 will produce national currency. The per-tive east European appli-jobs are going to have to



US debt underwriting: by Lisa Bransten

tumble in bumper year

Issuance of straight debt surged 21 per cent last year to \$536bn

While the record amount of equity underwritten last year captured headlines. the dollar amount of stock offerings was dwarfed by the enormous amount of corporate debt issued.

Analyata are cautious about the outlook for 1997. This year has started out on a strong footing largely driven by an overflow of deals that were not completed in 1996, but external forces such as a jump in interest rates could quickly

halt the rush to issue debt. Issuance of straight debt, which excludes mortgage and asset-backed securities. surged 21 per cent to \$536bn to pass the record set in 1995 and far outstrip the \$115bn in common stock sold on to US markets last yeer. according to Securities Data,

which tracks the industry. Well over half of the deht issued last year came from grade by the credit-rating

year Merrill Lynch dominated in this category with e market share of about 16 per cent. In second place was Salomon Brothers which maintained its 1995 position to claim a 12.5 per cent share of the market, according to Investment Dealers' Digest.

On the sub-investment grade front, Donaldson, Lufkin & Jenrette once again was the dominant force with about 15 per cent of the total \$74hn, while Merrill Lynch climbed from fourth place to second with a 13 per cent market share, according to

Investment Dealers' Digest. One of the driving forces hehind 1996's record issnance of investment grade debt was last year's surge in lower yields as Treasury merger end acquisition yields dipped during railies. activity, says John Qua, cohead of global debt capital markets at Merrill Lynch. Both entertainment giant Disney and Aetna, the insur-ance group, conducted multibillion-dollar debt transactions in connection with

large acquisitions. That trend appears to be continuing this year: In mid-January, US West Capital Funding an arm of the US cable and telecommunications group, conducted the agencies and for a second largest investment grade of the long-term debt. So far

debt in relation to its purchase last year of Continental Cablevision Systems. Not only was debt financ-

ing necessary for many companies, but it was also ettractive given thet US Treasury yields were relatively stable et historically low levels last year. Despite some volatility during the year, the yield on henchmark 30-year Treasury bonds only fluctuated within a percentage point of the 6 per cent yield where it was last in January 1996.

That led to what Mr Qua terms several waves of "tactical financings" hy companies eager to refinance at It also led to e surge in issuance of 100-year debt. A record 13 companies sold \$2.9bn in century debt last year, far outstripping the previous record of seven companies issuing \$29bn of

Columbia/HCA Healthcare, the hospital company, and Monsanto, the chemicals and blotech company, both of which sold more than \$200m

issue when it sold \$4.1bn of this year there have been three century issues total- high-yield debt is driven by a ling \$800m.

Another reason for the surge in century was a rush to get into the market before the government closes the loophole that makes such debt so attractive. Because the deht is not repaid for such a long period, it functions almost like equity yet the interest paid is tax deductible. But merket watchers expect the government to take away tha tax incentives of century bonds early this year.

Investors' demand for new deht was strong through the year helping push the over Treasuries to record lows, says Diane Vazza, head of fixed income research at Standard & Poor's, the credit rating agency. The average spread of single-A, investment-grade deht narrowed by about 16 basis points, she says.

Last year the largest 100- junk bonds, where the yield year bonds issues came from on the average double-B credit narrowed by 96 basis points.

Bennett Goodman, managing director of high yield bond department at Donaldson, Lufkin & Jenrette, says to that seen in the early part

thet much of the demand for new attitude toward the riskier securities by portfolio you had to justify to your investment board why you were holding junk bonds, now you have to rationalise why you don't," he says,

Another source of high yield issuance last year came from companies from emerging market countries - espe clally Latin America and Asia, which began a return to international capital markets in the second part of 1995 and continued to tap the US market last year. Ms Vazza says she expects that trend to continue at least through the first quarter of this year because the need for capital is so strong. Higher yielding deht is

also alluring for companies because of a sharp drop-off in the number of defaults. Last year, 14 Issuers defaulted on \$3.6bn in debt. fewer than half the default rate in 1995 and sharply lower than the record 65 companies that defeulted on \$20bn in 1991, according to

S&P. It is unlikely that the default rate will ever return

		1996		1995		
Manager	\$m	%	Issues	\$m	% Issues	
Donaldson Lufkin & Jennette	10,896.7	14.8	56	6,758.5	15.7 35	
Merrill Lynch	9,288,5	12.6	54	4,522.1	10.5 28	
Goldman Sachs	7,843.9	10.6	34	6.839.6	13.5	
Bear Steams	5,614,5	7.6	33	2.395.6	5.6 11	
Salomon Brothers	5,181.0	7.0	26	2.663.5	. 6.2	
Morgan Stanley	5,107,4	6.9	30	5.625.1	13.0 27	
Bankers Trust	3,836.1	5.2	24	3,045.6	7.1 . 20	
J P Morgan	3.753.8	5.1	18	582.2	1.3 . 5	
Credit Suisse First Boston	3,430.1	4.6	. 21	2.536.8	5.9 - 16	
Chase Manhotten	3,351.3	4.5	17	2,382.1	5.5 17	
industry totals Source: Investment Dealers' Digest	73,844.8	100.0	407	43,143.0	100.0 257	

		1996			1995		
Manager	, \$m	. %	Issues	\$m	%	Incues	
Merriti Lynch	93,575.7	18.3	763	82,570,3	19,4	704	
Salomon Brothers	63,843,7	12.5	438	51,111,7	12.0	415	
Goldman Sachs	55,343.2	10.8	629	38,254,2	9.0	293	
J.P. Morgan	53,123,6	10.4	392	28.582.0	8.U	244	
Lehman Brothers	51,571.7	10.1	521	46.414.6	10.9	402	
Morgan Stanley	46,256.8	6.4	359	47.479.2	71.2	388	
Credit Suisse First Boston	34,271,3	6.7	330	34,118.6		238	
Bear Steams	18,103.e	3.1	234	11,170.2		180	
Smith Barney	15,124.7	3.0	241	11,106.1	- 2.5 - 2.6	173	
Nations Bank	14,537.1	2.8	250	- 8.758.0	. = 2.6 2.1	118	
Industry totals	511,375.1	100.0	5.808		7		
Course to accept the Course St.		12000	3,008	424,838.2	100.0	4,761	

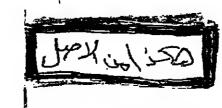
yield debt market. "A price

adjustmeut would he a relief

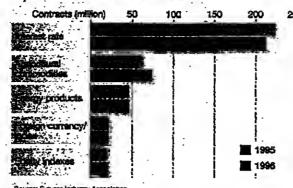
of this decade, says Ms Vazza, but there is little question that defaults should increase from current Mr Hammond says he is

to everybody," he says. If that happens it would surely slow the issuance of concerned hy what he sees moment there is little sign of as some frothiness on highthat. At the end of last

month Tenet Healthcare issued \$2bn in debt in the largest junk bond yield done since RJR Nablsco issued debt in connection with the junk bonds, but for the Kohlberg Kravis Roberts' leveraged huy-out of the



US futures contracts traded



Exchange-traded derivatives: by Laurie Morse

Futures trading slackens

The exchanges bore the brunt of the decline in activity during the past year

Investment hanks have always been the best customers of the world's derivatives exchanges, with investment bankers routinely using the wholesale, listed markets to lay off risks incurred in writing tailored risk-management contracts for their customers. As bankers became more creative in designing and marketing structured derivatives transactions, the futures and options industry benefited from the growth in over-thecounter trades.

However, in 1996 this happy relationship showed some signs of weakening. Low interest rate volatility and the currency convergences of the European Monetary Union cut profits for both listed and OTC transactions, and the futures exchanges, particularly the Chicago Mercantile Exchange, bore the brunt of the decline in activity.

Dealer-operated electronic trading systems and trading firms' growing use of bilateral netting agreements also cut away at the futures exchanges' margins. After nearly two decades of remarkable growth, and then an off year in 1995, US futures trading volume gained only half a percentage point in 1996, for a total of 397m contracts.

That marginal overall gain

masks a steep decline in turnover in dollar-denominated interest rate and foreign currency futures trading, the two areas most dominated by investment banking firms. Futures volumes rose for commodity products, and for equity index and preclous metals contracts, but exchanges attribute advances in these areas to hedge funds rather

than to banks. The CME's benchmark Eurodollar futures contract volumes dropped 7 per cent in 1996, from a weak 1995. The Chicago Board of Trade's treasury bond futures contract volumes slipped 1 per cent. Low interest rate volatility was the primary culprit, traders say. The US is in the midst of its second-longest period of interest rate stability in Its history. The US Federal Reserve has not adjusted its discount rate since January

"When you have low interest rate volatility, spreads tend to disappear," said David Rutter, managing director of Prebon Yamane, a leading inter-dealer broker. Dealers have to make higger trades to make money. and the over-the-counter markets are a much easier place to execute these larger

Mr Rntter has also noticed agreements become more. common between clients, credit available for OTC derivatives transactions has expanded, and the credit advantage of using a futures exchange clearinghouse has kets, said that despite nega-

become less important. "The credit enhancement (of a clearinghouse) is not the issue It used to be," he says. OTC broker commissions

have also fallen dramatically in the past three years, making plain vanilla swaps trades cheaper to execute. A one-year interest rate swap with a notional value of about \$100m would have incurred about \$10,000 in brokerage fees in 1993, while fees for the same swap today are about \$2,500. Futures brokerage commissions for essentially the same trade done on an exchange are still cheaper, at about \$1,600, hut the exchanges' cost advantage is shrinking.

investment banks are not about to bypass futures exchanges completely. Despite volume dips this year and last, the CME's eurodollars are still the largest and most liquid futures contract in the world. Volume in non-dollar exchangetraded instruments grew last year, boosting husiness at some exchanges, including London's Liffe.

The most recent data collected by the Office of the Controller of the Currency, the US agency that monitors commercial banks, show that exchange-listed derivatives have remained at a relatively stable 13 per cent of all derivatives on the books that as bilateral netting of US national banks, and that the volume of derivatives trading overall is expanding.

Michael Bannerman, the OCC's acting senior deputy comptroller for capital martive perceptions of derivatives in some quarters, "as people become better at risk management, they find they have to have derivatives as a tool". Mr Bannerman notes that exchange-traded options are becoming increasingly popular among the end-users. In fact, in 1996, options on futures were the fastestgrowing area of exchange

derivatives' business. Futures exchanges are aware of the paradox that makes OTC derivatives their higgest source of husiness as well as their most substantial competitors. The Chicago Board of Trade recently announced a partnership with Prebon Yamani and another inter-dealer broker. Liberty, to develop an electronic trading system designed to take advantage of the best features of listed

and OTC derivatives trading. Chicago Board Brokerage, or CBB, as it is called, will allow OTC traders to clear swaps and other non-futures transactions through a subsidiary of the CBOTs clearinghouse, allowing multilateral netting that promises to cut credit costs subatantially.

At the same time, CBOT members will be able to cross-margin cash and futures transactions.

If the system is a success. the joint venture partners hope to offer an array of innovative products that will further close the gap between exchange-traded and custom-crafted derivatives. The first phase of the venture is set to start this

■ OTC derivatives: by Samer Iskandar

Management by mathematics

Disclosure of risk measures signals the coming of age of derivatives

In the derivatives industry 1996 will be remembered as the year rocket science really took off.

Rocket scieoce is the name investment hankers use to describe the high-level mathematics applied in new risk management techniques. The use of these techniques last year culminated in the adoption, across the industry, of standardised risk disclosure - as a result of both voluntary efforts by the industry and lobhying by

"We are now moving from the theory of derivatives regulation to practising it," says Till Guldimann, executive vice president of Infinity Financial Technology, a provider of risk management software, "in 1996 regulators convinced market participants to report trading risk in a normalised format...1997 will be the first time this data is published."

Mr Guldimann adds. Analysts are finding It difficult to predict future reactions to this disclosure. But they agree it is a step in the right direction.

Some even expect risk management to make inroads into the field of asset management, It could ultimately change the way clients assess fund managers. "Instead of comparing different funds based purely on performance, investors will want to know how much risk their fund manager has taken to achieve this performance." one derivatives expert predicts.

Disclosure of risk measures signals the coming of age of derivatives," says another London-based

But intensifying competition is an unfortunate sideeffect often associated with maturing markets. It is expected to be particularly acute in the interest rate derivatives segment. The resulting environ-

ment, where dealing spreads

- which determine profit Winters, regional head of ing the Czech koruna, for Fixed Income at J P Morgan. margins - shrink, is referred in 1996, this sector came of to by Jonathan Chenevix-Trench, head of European age. In 1997, it could become fixed-income derivatives a market of its own."

trading at Morgan Stanley. Emerging markets also as the "commoditisation of look promising, with bankinterest rate derivatives." ers predicting rapid expan-The broader distribution of sion this year. In these marderivatives technology and kets, the use of derivatives the liquidity in the market can allow foreign investors mean that these products do to circumvent the problems not justify the high costs associated with dealing oo the local exchanges, where associated with tailor-made instruments. liquidity and efficient execu-This was already apparent tion of transactions are often

last year and signs are that lacking. "things will only get more intense in 1997." according to keep your money invested



Till Guidimann (left): derivatives regulation now being practised. Bill Winters (right): return to highly leveraged products not expected

Conversely, Mr Chenevix-Trench believes, "as these activities become more mainstream, volumes will increase and the sector will

acquire longevity". But high profit margins will have to be found elsewhere. Two sectors in particular are cited by experts as the likely cash cows of the future: credit derivatives and emerging markets.

Although credit derivatives are still considered a nascent sector, a survey published in the third quarter of 1996 by the British Bankers' Association estimated the size of the London market alone at about \$20bn. It also pointed out that dealers were expecting this amount to double in 1998 and reach

the \$100bn mark by 2000. "Credit derivatives are a

to Swaps Monitor, the US- in FTSE or S&P shares, and based derivatives newsletter. swap their performance for bought these bonds are that of the Mexican or Egyptian stock exchange," says one derivatives salesman.

> But due to the deficiency of some basic infrastructures such as local custodial services - in a majority of these markets, intermediation in such transactions is likely to remain the domain of large international institutions. with the ability to trade efficiently in the underlying instruments.

Traders are also pinning high hopes on the success of emerging market bonds as a substitute for the shrinking income from interest rate derivatives in developed markets. As more and more investors bought emerging market bonds last year. some previously unfashionable currencles were propelled into the limelight. key growth area," says Bill Until recently swaps involv-

example, rarely extended beyond maturitles of two to three years. But a spate of bond issues in the past few months, including some by highly-rated supranational borrowers, has helped establish a liquid market for transactions in the five to seven-year area of the yield

Elsewhere, structured

notes are also expected to make a comeback. Investors who chose to avoid derivatives in the wake of highly publicised problems - such as Barings and Procter&Gamble's - are slowly regaining confidence. "A lot of end-users who had left the market are already coming back," says Jamie Greenwald, bead of European equity derivatives at Morgan Stanley, "Investors are better informed now and the customer base is widening." Earller this month the European Investment Bank met strong demand when it

launched a bood paying no coupon, but whose redemption price is a function of the Italian MIB-30 stock market index. The securities attracted a large number of bond investors who did not typically buy equities. according to Deutsche Morgan Grenfell, the lead man-

"A lot of investors who expecting equities to henefit more than bonds from rate cuts by the Bank of Italy," said Deutsche Morgan Grenfell after the launch.

But the issue's success was also attributable in large part to the downside protection it offered: in addition to the index-linked performance, a premium attached to the redemption price offered a modest yield should the stock market rise by less than 10 per cent in the next three years.

Bill Winters, at J.P. Morgan, expects this type of product to gain in popularity. "in the future, these notes will be structured to reduce risk, rather than increase it", he says, "I do not expect a return to the highly leveraged products [common in the early

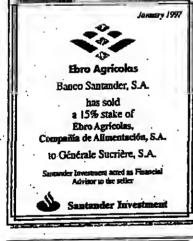
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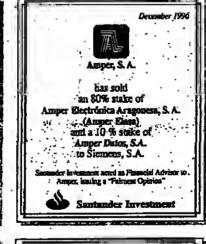
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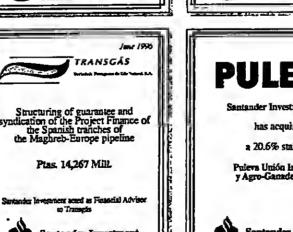
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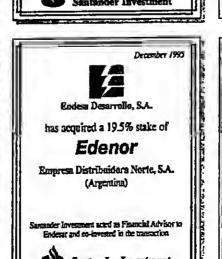
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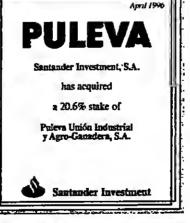




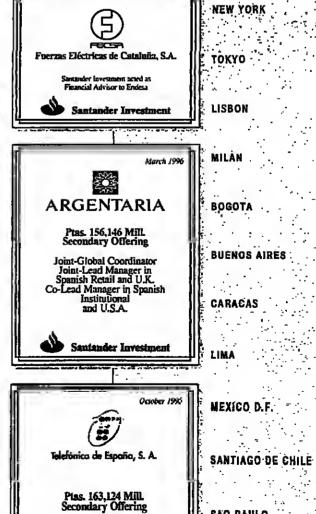












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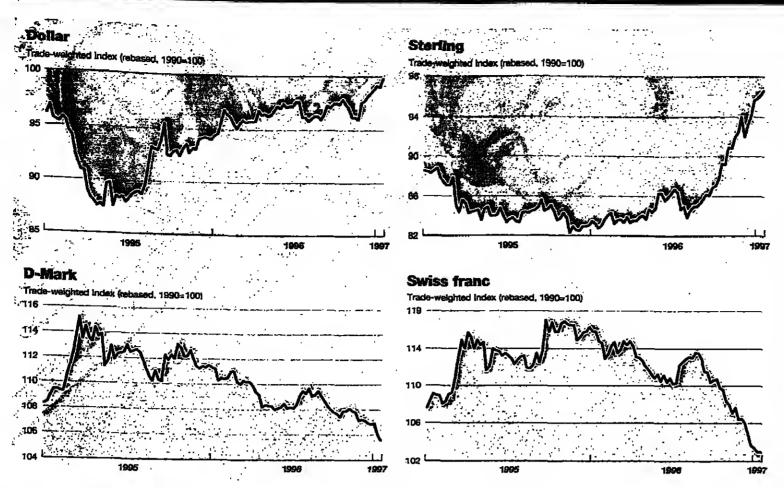
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■ Currency markets: by Philip Gawith

No news is good - and bad

Guardians of the world's exchange rates have been conspicuous by their absence

The most exceptional feature of the currency markets is just how well they are

It was August 1995 when leading central banks last intervened in a concerted fashion to try to affect the also made steady progress values of currencles - in that case to bolster the dol- approaching DM1.60. Losses lar. Since then, they have against currencles such as been conspicuous by their the Canadian dollar, and absence. It is more than a more recently sterling, have decade since there has been limited its trade-weighted a similar period of ahstinence by the world's since the 1995 low. exchange rate guardians.

From the point of view of governments and central banks, it is very much a case of no news is good news. For that monetary union will traders and banks, of course, it is a different matter. They has been accompanied by yearn for the volatility some strong rallies in the companies and investors Italy and Spain. The second undertake more hedging half of 1996 also saw strong nal imbalances than in the sharp movements - but also offers much greater scope

So while figures from the Bank for International Set- nearly 10 per cent of its whole problem - less work tlements show that total global turnover grew by 30 per cent to around \$1,200bn a day between 1992 and 1995, a trade-weighted basis. this has not translated into a huge bounty for all working

of judgment. Indeed, they between countries. But the further impetus to the pro-

shooting any sense of fair value, Just as the dollar was oversold wheo it slumped to DM1.34 and Y79.75 in April 1995, so the D-Mark and the yen were overvalued.

The main feature of the markets since that time has been the steady correction of these anomalies. The dollar's recovery against the yeo has been stronger, recently reaching Y117, but it has against the gains to around 12 per cent Aside from the dollar's

steady progress, the other feature has been the increasing acceptance by markets take place in Europe. This which not only prompts currency and interest rate the obverse of convergent countries such as when thay are scared of moves in sterling and the Swiss franc, at the time the most under- and over-valued of the leading currencies. The Swiss franc has lost view of traders, this is the value in less than six soon translates into fewer months, while sterling has

This outbreak of common sense is not a complete acci- • Quieter markets: policy dent. Exchange rates do, in convergence is dampening Currency markets are not the long run, tend to reflect volatility, with the whole well known for a fine sense underlying economic shifts

purpose among G7 partners (the world's largest industrial democracies - the US. Japan, Germany, Britain, France, Italy and Canada) than was evident in the past. As Larry Summers, the US deputy treasury secretary told a New York audience

last summer; "The only path to enduring exchange mar-ket stability is through the pursuit of sound economic Currency

markets are not well known for a fine sense of judgment

That messaga is barely controversial, and quiet currency markets are simply inflation and smaller exterpast. Against this backdrop, there is simply less work for exchange rates to perform.

Alas, from the point of jobs. Unsurprisingly, the gained 15 per cent - both on industry is downsizing with a vengeance. There are four separate issues at play:

Emu process simply adding

are characterised by almost recent moves also represent cess. One requirement neces-always dramatically over- a greater sense of common sary for Emu qualification is exchange rate stability. This has resulted in some European central banks both buying and selling their curreocies in order to ensure their stability.

· Technology; as is the case throughout the banklog industry, machines can do many back-office tasks more cheaply than people. Electronic broking, which allows electronic matching of orders to buy and sell currencles without any human intermediation, is also gohhling up market share.

 Consolidation: large mergers, such as those between Chase and Chemical banks, and Bank of Tokyo and Mitsuhishi, inevitably involve large job cuts; indeed, their very motivation stems from the ability to cut their fixed costs. The new Chase employs around 20 per cent fewer people than the combined total before the banks

are consolidat- pattern of ing their price-making capabilitles in regional ceotres, normally one in each time at the expense of smaller will remain constrained. centres such as Milan and Madrid. But, overall, the off when an exotic currency number of jobs has shrunk supplants one of the more sbarply. Citibank cited fig-

D-Mark business in Europe with six traders in two ceotres than it did eight years ago with 39 traders in 17 ceo-

The upshot of all this is that it is oow more difficult to make money in foreign exchange, Banks who lack a decent customer franchise. and have simply waited for a trend to hop on to, have been forced to re-examine their reason for staying in the market. It is not all doom and

gloom; there are growth areas of considerable potential, too, in terms of product. currency derivatives are growing as customers learn to use the increasingly sophisticated tools of risk management available to Furthermore, there is the

area of emerging markets, or exotic currencles. The superior growth rates these economies enjoy compared with industrialised countries will • Centralisation: increas- inevitably be reflected in tha currency market trading. As the economies grow, so they trade more and attract greater capital zone. Local branches are and investment flows. These then used simply as market- generate foreign exchange ing outlets, with price-mak- activity. But this story needs ing limited to the local cur- to be kept in perspective: rency. Previously, banks countries such as China and were making prices from Russia may be sleeping econumerous different centres. nomic giants, but until they In the case of Europe, this have more developed capital has meant London growing markets, currency trading

The day is still some way established currencies in ures recently which showed importance.

Global custody: by Katy Massey

Safekeeping operation makes a comeback

Custody has become dependent for profitability on huge economies of scale

The long-awaited decision by Morgan Stanley to purchase Barclay's global custody business has placed the unfashionable activity of custody on to the business ageodas of iovestment banks. This is something of a comeback for custody, which is traditionally regarded as a labour-intensive activity offering comparatively low profit margins. Add the fact that the safekeeping of money does not exactly ooze glamour, and it is not difficult to see why institutions have been leaving the industry In The number of banks

which have left the business over the last couple of years most notably J.P. Morgan, Goldman Sachs and Bank of America - supports the view of most industry participants that custody bas become dependent for profitability on huge ecocomies of scale. Assets under administration have to be in thousands of hillions before low fees (which at their lowest may be a fifth of a basis point) coupled with the enormous cost of re-investment in people and technology can produce a viable business, the argument runs.

Morgan Stanley's purchase will make it the seventh largest global custodian in the world with total assets of around \$390bn. Clearly this is not in the same league as Bank of New York, State Street, and Chase Manhattan which all boast more than \$2,000bn. The scale argument cannot account for Morgan Stanley's belief that it can succeed where others have failed, in fact, Morgan Stanley's confidence that it can effectively compete in the custody industry may indicate that other investment banks could have been too hasty in leaving the sec-

This idea is supported by vices is set to enter a that two thirds (69 per cent) of US portfolio managers will increase their investment in foreign equi- that," he says. ties/ADRs over the next twothree years. Research hy Intersec

Citibank, shows that the scale of cross-horder investment among 12 countries which represent 98 per cent of institutional cross-border assets will increase by 100 per cent from nearly \$3,000hn in 1995 to \$6,200bn hy 2000. A growing propor-



tion of this investment is finding its way into emerging economies which attract higher fees for custodians offering services in these ter-

Because they are investing more intensively overseas, custody clieots are becoming more demanding. Add-on services such as securities lending are becoming a more important part of the custodian's product mix. The idea that the investment banks may have chosen the wrong time to get out of the business is gaining currency because their sophisticated financial products' expertise proving an important added value in the previ-

ously staid custody world. David Newman, head of European custody at Morgan Stanley, believes that the technological sophistication and the product expertise offered by the bank is crucial. "It is fundamentally important that the market place continues to offer accurate and timely data and quality client service, particularly in emerging markets." Mr Newman denies that

the motivation to invest in research which shows that custody is a loss-leader to demand for custodial ser- sell higher-cost services to phase. Citibank has found a value-added. Some custodians have thought to subsidise custody with securities lending. We have not done

investment banks are traditionally product-driven, Research by Intersec identifying custody as a ser-Research Corp. on behalf of vice which is low down the value chain. Custody, though it might add a secure revenue stream to a volatile balance sheet, is simply not enough of a core activity to justify the buge investment in technology. And the Koty Massey is editor of investment required can be

Expected western European privatisations by country (% by value)

Morgan Stanley has made a huge across-the-board technology investment of around \$700m, some of which will feed into its custody activities. Bank of New York has spent \$200m on technology over the past five years in the custody area alone, Bankers Trust more than \$100m and Chase Manhattan more than \$50m.

Ross Whitehill, a director at specialist custody consultant Thomas Murray, argues that it is not just size, nor even expertise in the product area which decides a moneymanagers' choice of custodian. "An emerging key area is the extent to which a custodian is willing to accept risk. Some will accept far greater responsibility for administrative performance than others."

Size, expertise and risk acceptance are crucial features in the choice a client makes. But most important of all is choosing the most appropriate features to match the portfolio, a point James Economides, head of Citibank's European custody operations makes.

A pension fund's primary concern will be security, so the strength of a potential crucial. For a highly aggressive hedge fund manager, product expertise is much more important. "I don't really think that the concept of a 'one stop shop' is via-ble," Mr Economides says.

While it seems that there is a role for the investment banks' expertise, the commercial and trust operations will still find plenty of appente for their plainer and cheaper safe-keeping services.

Clearing & Settlement Maga-

■ European privatisations: by Conner Middelmann

State sell-offs may raise \$53bn

The pre-Emu rush to complete state sales is likely to produce even greater proceeds

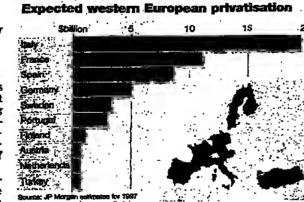
European privatisation sales reached record volumes last year, apurred by rallying stock markets and governments' aagerness to completa their flotation programmes before the start of European monetary union.

This year, however, privatisation sales are set to be even greater. According to recent forecasts by JP Morgan, the US investment bank, the governments are likely to raise an estimated \$53bn through the sale of state assets - easily surpassing last year's \$48bn - and signal the peak in issuance before the end of the cen-

In 1998, JP Morgan expects to see \$42.4bn in privatisations, followed by \$22.4bn in 1999. The total value of European privatisation proceeds to date is around \$230bn. "Tha increase in antici-

pated 1997 revenues is not only the result of postponements from 1996, but, to a great extent, a reflection of the urgency to complete some of the privatisation by utilities; together, they programmes ahead of Euro are likely to account for 56 pean monetary union," says per cent of sale proceeds in Caroline Méroz, European equity strategist at JP Morgan and the anthor of the bank's recently-published study.

erate their privatisation pro- ing, including from their in the US, net flows into oil company, constitutes 22.1 ing markets were not neces-



grammes to place themselves on track to meet the Maastricht 3 per cent deficit criterion," she says.

While privatisation proceeds cannot be taken into account when calculating a country's budget deficit, they can be used to reduce governments' overall debt. Lower dabt servicing payments are particularly important for France Spain and Sweden.

Privatisations will remain focused on key sectors such as telecommunications, utilitles, energy companies, banks and industrials. Telecoms are expected to continue to dominate, followed 1997, J.P.Morgan predicts. The energy sector expec-

ted to be the third-largest "In the run-up to Emu, we support of international mutual funds and the gradbelieve European governinvestors, while the banking ual growth of the pension sche Telekom makes up 4.5 against a 9.3 per cent ments may feel under and insurance sectors will fund industry in Europe, the increasing pressure to accel- rely more on domestic buy- bank predicts.

own customer base. Italy has the most ambi-

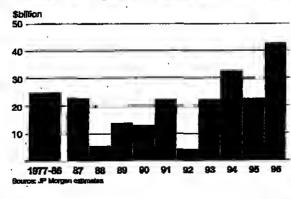
tious privatisation programme for 1997 with nearly \$20bn of sales planned, followed by France (\$11bn), Spain (\$8.6bn), and Germany While offerings will continue to rely on interna-

and retail - are expected to take up about 60 per cent of this year's privatisations. In 1996, domestic investors took up close to 64 per cent of European issues, JP Morgan says. In the case of Deutsche Telekom, for example,

German investors were allo-

cated 67 per cent of the

issue, of which 60 per cent went to retail accounts. Overall demand for European privatisations should remain strong as a result of this year, will continue to continued demand for interdepend quite heavily on the national equities from US



Western European privatisation offerings

international-only equity per cent of Italy's MBI index. mutnal funds increased threefold last year from 1995, and international equities now account for 10 per cent of total equity assets held by US mutual funds.

European mutual funds

last year saw subdued demand for equities and tional investors, domestic strong flowa into bonds. buyers - both institutions However, if, for example, French and Italian mutual funds were to return to their previous peak weightings in equities - a likely scenario with European bond yields early part of 1997 and then to now close to record lows that could generate additional demand for domestic for a good performance of its privatisation programme shares, worth \$7.7bn in the markets, which should was completed, slowed in France and \$13.7bn in Italy, underpin privatisations this JP Morgan calculates.

The privatisation pipeline decade will increase equity per cent of Germany's Dax increase in 1995. index, while Eni, the Italian

"The size of privatisation offerings constitutee an important part of the indices, so investors willing to maintain their weighting are likely to increase their positions in those stocks." the report says.

Economic fundamentals also augur well for large sarily enough to ensure the sations accelerated to culmi-ments could continue to use equity offerings this year, Ms Méroz says. "We expect growth to pick up and short-term rates to continue falling across Europe in the remain stable until the yearend - everything is in place but only about 51 per cent of

Overall, 1996 was a better through to the end of the year than 1995 for European privatisations due to the markets' capitalisation and strong performance of the liquidity and change the region's equity markets. The \$10.3bn in privatisation composition of the major FTA Europe ex-UK index salas, although its market indices. For instance, Deut- rose 25.7 per cent in 1996, was one of the weakest,

However, stroog underly-

Country	1996	1997*	1998*	1999
Austria	1.8	1.1	1.0	0.0
Belgium	0.2	0.0	0.0	0.9
Denmark	0.4	0.0	2.3	0.0
Finland	1.8	2.2	2.4	0.0
France	10.7	20.9	8.3	49.1
Germany	31.5	9.4	26.0	0.0
Greece	1.2	0.0	0.0	0.0
ftaly	24.6	36.2	15.2	20.5
Ireland	0.0	0.0	0.0	3.6
Netherlands	2.4	1.1	12.0	0.0
Norway	1.5	. 0.0	1.6	0.0
Portugal	4.3	5.2	4.1	0.0
Spain	5.9	16.2	13.7	17.9
Sweden	2.1	ão	3.5	0.0
Switzerland	0.0	0.0	3.5	0.0
Turkey	0.0	1.2	0.0	0.0
United Kingdom	12.1	. 00	0.0	. 0.0
Total	100.0	100.0	100.0	100.0
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Share ownership structure in Europe (%)

	Financial Companies	Non-financial Companies	Foreign investors	Public Sector	Private Investors	Total
France	23.0	16.4	22.1	6.4	32.1	100
Germany	18.7	42.4	18.2	5,5	16.8	100
Italy	22.2	18.7	6.6	23:8	25.B	100
Netherlands	20.0	_	. 30.0	_	51.0°	100
Spain ·	18.2	10.1	23.3	18.3	32.1	100
Swaden	31.0	24.0	21.0	8.0	17.0	100
United Kingdom	61.8	1.5	16.3	2.8	17.7	100

completion of some coun- nate late in the year with tries' privatisation pro-

example, was the strongest performer in 1996, with the Ibex index rising 42 per cent, part by general elections which ushered in a new gov-

Italy, on the other hand, was the second-biggest Issuer in Europe with underperforming Europe by nearly 15 per cent.

the pace of European privati- believe that in 1997 govern- report states.

the \$5.9bn sale of shares in Eni, the Italian oil company. Spain's equity market, for and the \$13.5bn sale of part of Deutsche Telekom. Together, they accounted for 25 per cent of last year's privatisation proceeds.

Retail incentives - widely used in 1995 – were not needed in 1996 due to the strength of the underlying stock markets.

However, other innovative deals in 1996 included share and AGF. buy-backs by Nordbanken, DSM and the recently-announced buyback by KLM.

this method to dispose of

Few privatisations in the last two years have managed to outperform their European peers on a sector basis, even when they did outperform their domestic markets Among the best performers both against their local market and relative to their sectors - are Nordbanken, Eni, Telefonica, Railtrack

With investors becoming increasingly sector-oriented. "Share buy-backs have sations relative to their secbecome a popular alternative tor will become more impormethod of privatisations," tant, especially for After a lacklustre start, the report atates. "We international investors," the

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offtically there is still wide scope for things to go awry in some markets

Emerging market debt: by Edward Luce

n impossible act to follow

Investors may find that Brady bonds will still be an attractive option this year

Last year was so good for emerging market debt that even professional optimists doubt there could be a repeat performance in 1997. In fact, with average spreads on Brady bonds - issued in the late 1980s in exchange for distressed commercial bank debt - narrowing from 1.048 to 531 basis points over US Treasuries, according to one investment bank index, a preciae re-run of 1996 would be technically impos-

Many, bowever, believe that the reasons for last year's stellar performance remain as compelling now as they were 12 months ago. The steep rise in emerging market bond issuance and the dramatic tightening of spreads on existing and new debt in 1996 was prompted by a number of factors

First, Bradys started off the year from a high base with some, such as Venezuela, Ecuador and Mexico, yielding more than 1,000 basis points over US Treasuries at the outset. Returns on this scale were anomalous in most cases and were

Even countries auch as tinues and - more impor-Nigeria, which started the year 2047 basis points over Treasuries and ended it 636 over, looked set to benefit.

Yields are atarting 1997 from a much lower base, but spreads of around 500 basis points over Treasuries in most cases still look attractive to investors seeking to improve on diminishing coupons attached to European government bonds. "The total return on

Bradvs was close to 40 per cent in 1996, which is impossible to emulate," said Peter West, head of emerging markets research at WestMerchant Bank in London, "We expect returns of more like 20 per cent in 1997, which is still impressive. Second, global interest

rates remained low in 1996. providing a benign environment for emerging market issuers. US and European investors sought to diversify their portfolios and boost returns, thus ensuring that new issuers such as Russia, which launched its debut eurobond last year, got a good reception. The seemingly relentless convergence process of European countries towards European monetary union drove continenyields down historically low levels.

Mucb in 1997 will depeod

This appropriately appears as a matter of record only

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NATWEST MARKETS

Markets has established its leadership in structured finance.

bound to fall sooner or later. on whether this process con continue in 1997. Nothing both Moscow and the city of tantly - on whether US interest rates remain low. "A 50 to 75 basis point rise in US rates would have a tem-

porary effect on the flow of funds to emerging markets, but nothing on the scale of what happened in 1994 [one of the worst years in recent times for emerging markets]," said Paul Luke, head of emerging markets strategy at Deutsche Morgan Grenfell in London. "Any-thing higher than 75 basis points could bave a more dramatic effect,"

Sbould Japanese economic growth rates pick np strongly in 1997, it could prompt the Bank of Japan to raise interest rates, sparking a global liquidity crunch as Japanesa investors repatriate capital, Mr Luke added. Most economists, bowever, consider a decisive Japanese revival unlikely this year.

Third, Latin American and east European economic fundamentals continued to improve during 1996 after the rupture caused by the Mexican "tequila" crisis in late 1994. Declining inflation rates - in some cases dramatically, such as Brazil where inflation dropped from about 2,000 per cent in 1994 to just 12 per cent at the end of last year - and rising growth rates are expected to

can be taken for granted, but economists believe that the reform process will continue unabated during 1997.

Politically, there is still wide scope for things to go awry, with some focusing on the possibility that Bulgaria will default on its Brady debt repayment at the end of the month. Bulgaria. which remains the only leading Brady country to have spreads of over 1,000 basis points to Treasuries, is considered capable of default because of the tense political situation, although few believe such a move would infect investors' view of other emerging markets. The spectre of a Bulgarian default triggering a Mexicostyle contagion is, therefore,

More vexingly, the uncertainty which would follow the death of Russian President Boris Yeltsin could bave a knock-on effect on east European and Russian debt but would be unlikely to spread to emerging markets as a whole.

Barring any mishaps, investors say that an expected \$800m Russian eurobond in the first half, plus one or two debut eurobonds by central Asian republics followlng Kazakhstan's success last year, are expected to be well received. In addition,

Jerome Booth, director of nues, the Russian government is dependent on debt. It is running a trade aurplus and it has the largest natural resource reserves in tha world. It is very unlikely to default."

This year is also expected to be a good one for credit upgrades, with Mexico, the Philippinea and possibly Venezuela due for investment grada status, according to market expectations. Others, including Brazil and Argentina, are expected to be pushed up a notch during

J P Morgan, the US investment bank, predicts that its emerging market bond index will grow by 15.5 per cent over the year compared to 39 per cent in 1996, with average spreads tightening to 390 basis points in the next 12 months. Growth in JP Morgan's emerging local market index, which measures the performance of bonds issued domestically in local currencles, will drop from 15 per cent to 9 per cent in 1997, it

Growing competition to catch investors' attention is also likely to spur further innovation in debt issuance during the year, with more sophisticated instruments such as eurobonds denominated in local currency and asset-backed securitles becoming more common.

A recent report by Deutsche Morgan Grenfell predicts that investors will increasingly tap domestic markets shifting attention from the risk of sovereign default to the hazards of convertibility.

"We expect a lot more people to put funds into local currency debt," said David Atkioson, local currency analyst at DMG. 'It is more or less true to say that outright default of internal debt doesn't bappen. What investors should be looking at is a more sopbisticated model of currency risk, pricing, credit and convertibility."

St Petersburg are planning debut municipal eurobonds in 1997 of around \$150m

"Russia is the great emerg ing debt opportunity," said research at ANZ in London. With such poor tax reve-

The arrival of these indigenous groups has further segmented the African banking market not just on the basis greater exposure to risk has resulted in setbacks, especially in Nigeria, but also in Kenya and Zambia, where the authorities bave been forced to intervene to close or recapitalise and merge

Africa: by Tony Hawkins Powerful allure of privatisation

to Africa

Indigenous and foreign groups are gearing up to take advantage of new opportunities

Privatisation, corporate restructurings, stock market development and black economic empowerment are fast transforming investment banking into a growth indus-try in sub-Saharan Africa.

The vast majority of new entranta to the region's financial services sector are investment bankers in tha very broadest sense, with activities ranging from foreign trade financing and currency dealing to brokerage and portfolio investment services. The entrants fall into two distinct categoriea indigenous groups, oftan

with limitad capital resources, and international groups seeking to exploit opportunities primarily in emerging stock markets and the region's developing privatisation programmes.

In the main, the two are targeting very different markets. Entry barriers to African investment banking are political and institutional ratber than financial. Because capital requirements are much smaller than for retail banking and the focus on wholesale financing and services means that investment banks do not need to develop expensive branch networks, the industry is able to attract a growing number of indigenous

These new indigenous investment banks are nibbling away at the market shares of the large atateowned banks and the tiny bandful of international companies, such as Barclays, Standard Chartered and South Africa'a Stanbic, and the French banks in the CFA Franc zone. While they are higher risk businesa, they are, however, finding It difficult to break into the market dealing with multinationals, where the foreign-owned

banks are dominant, unsuccessful merchant and

The foreign entrants are in a very different category. Most have beaded for South Africa, where rather than take on the existing powerful high-street commercial banking groups ~ ABSA, Stanbic, First National and Nedcor - they have set up boutique operations targeting the high-volume lowmargin corporate business.

They are well-placed to sell their expertise in the new South Africa, where corporate restructuring is high on the business agenda as returning and new investors reorganise their operations. often using South Africa as a launchpad for sub-Saharan

operations. At the same time South African conglomerates are unbundling - often as in the case of JCI using this as a net npwards of \$40bn for the

empowerment. In South Africa, foreign institutions have also been buying into Johanneaburg Stock Exchange securities businesses. Virtually all the leading JSE brokerage firms now have institutional sharebolders, many of them

Most foreign entrants to investment banking have headed for South Africa

foreign - SBC Warburg. Deutsche Morgan Grenfell. Flemings, James Capel. Societe Generale, Merrill Lynch. This trend has not been confined to South Africa, Foreign investment banks have also bought into brokerage operations in Kenya and Zimbabwe. While the newer African stock markets have, as yet, generated little international attracting much of the enthusiasm, the moment of truth will come if and when they are used as vehicles for privatisation.

A recent study by Paul Bennell of the Institute of Development Studies at Sussex University* estimates tbat in 1996/97 some 800 state-owned enterprises in 17 sub-Saharan countries are of the different services being prepared for privatisaoffered by investment banks tion. Big new privatisation the aftermath of decolonisabut also because their programmes bave either tion and the popularity of been launched or reactivated in another 15 countries, and, according to Bennell, by the end of 1997 there will be only a tiny minority of countries in sub-Saharan Africa that will not have fully-fledged privatisation pro-

grammes". On his conservative estimates, at least 1,500 more privatisations will have been completed by the end of the decade.

The really exciting programmes will be in South Africa, Zambia, and possibly Nigeria, in South Africa, the African National Congress is committed to privatising some big parastatals, with

the sale of a strategic stake in Telkom likely to be the

first large transaction. Zambia has advertised the sale of the state-owned Zambian Consolidated Copper Mines (ZCCM) which is being demerged into 12 different packages. Investors will be able to buy a majority stake in each package. with the government retaining - for the time being - a minority holding of 20 per cent to 25 per cent of the shares in most of the unbundled companies. These shares will aubsequently be sold off through the Lusaka Stock market.
Potentially the most excit-

ing deal of all for the investment banks is Nigeria's proposed privatisation of its energy sector, which could vehicle for black economic Federal government. Not only that but the self-off of tha country'a oil and gas husinesses, including the oil refineries, would transform the economic outlook for Africa's most populous country, bringing with it enormous opportunities for investment banks.

in addition to privatisation and company restructuring. there is a growing list of schemes which will have to be funded by private capital. These include big mining and energy projects, espe-cially but not only in West Africa, cross-border projects sucb as the amhitious. Maputo Corridor scheme in Mozambique and South Africa, and an iron briquette project, also in Mozambique. drawing on iron ore from neighbouring Zimbabwe. Indeed. Mozambique has a portfolio of ten big resourcedriven projects that will cost in the region of \$9bn to

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Add to these the enormous financial challenges of rehabilitating and expanding Africa's inadequate, rundown infrastructure and ofrebuilding economies ravaged by war (Angola, Mozambique, Somalia, and Liberia among them) and the opportunities for investment banks to exploit their skills of technical advice and capital mobilisation are almost

limitless. It was private capital that opened up the dark continent before the 1960s when state ownership, often cham pioned by well-intentioned, if economically illiterate western donors and technical advisers, contributed to the region's decline.

Thirty years later, the ball is back in the private sector's court and the investment banks, for whom much of sub-Saharan Africa has been no go territory, now have a crucial, and potentially profitable, catalytic role to play.

* Paul Bennell, Privatisation in Sub-Saharan Africa. Progress and Prospects during the 1990s. Institute of Development Studies, University of

Latin America: by Stephen Fidler

Post-crisis blues are over

Prospects for the region's economies and financial

markets are seen as strong

Just two years after Mexico's financial crisis spooked the international financial markets, international investment banks are back in force in Latin America. While Asia's emerging markets remain a more significant source of income, interest in Latin America has recovered substantially since the crisis.

Prospects for the region's economies and financial markets - particularly the stock markets - are seen as strong. Most of the larger economies are expecting to grow faster this year than in 1995, a year of recovery after the misery of 1995 - with the exception of Chile which will atill register an important expansion. And after last year's rally in the Brady and other fixed income markets. many analysts are expecting to see a greater focus on the stock markets as equities

outperform Brady bonds. Company valuations are moderate - with shares at simple price to earnings ratios of between 10 to 13 and earnings growth is forecast to pick up along with the economies. According to Mark Precious, director emerging markets equity

of interest from Asia to Latin America."

There is as yet, however, no evidance of any largescale commitment of funds from US institutional or retail investors as happened during the premature 1993-94 euphoria over Latin America. "There is no massive wall of money that's going to Brazilian or Latin American funds," says one banker at Goldman Sachs. "There is not a dramatic sea change. Before this happens what we really need to see is a lot more investor funds dedi-cated to that part of the world or money committed

With Latin American family companies resisting initial public offerings at what they consider undervaluations, the deal flow of Latin American equity offerings has been slow compared with Asia. The most significant in the region last year was the Venezuelan government's offering of its remaining stake in the telephone utility, Canty.

from funds that are not dedi-

With primary market activity modest, and intense competition driving down margins in the secondary market for Latin American equities, the fixed income markets, which enjoyed important rallies last year, provided an important source of income. A signifiresearch at SBC Warburg: cant volume of business for emerge have established tant market.

associated with proprietary and customer trading that took advantage of the huge interest differentials between the dollar and the Brazilian real and the latter's relative stability

against tha dollar.

Brazil has, however, sparked significant competition among investment banks for a share of its potentially buge privatisation business. Not only is the federal government in Brasilia selling off its companies, but the huge utilities and other public corporations owned by the Brazilian state are being put up for sale. Attempts to establish a strategic position in this market has led to some aggressive bidding for mandates that is seen by some as excessive. Amid the competition, fees have fallen signifi-

cantly. According to investment bankers, earlier privatisations, anch as that of the steel maker Usiminas, established a benchmark for fees of between 2 and 2.5 per cent, a level that many banks at the time considered to be too low. Bear Stearns won the mandate for Usiminas at a fee of 2.25 per cent. In another earlier privatisation, JP Morgan won the mandate for Cemig, the Minus Gerais electrical utility, at 2.4 per cent.

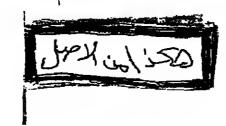
However, the later deals to

the electrical utility, was won by Goldman Sachs with a bid of 2.1 per cent. Competitors said this was the lowest they bad seen Goldman bid on such a deal. Goldman retorted that its fee reflected the establiahed. US market convention that ntility bustness always carries lower spreads than those associated with industrial or finan-

CVRD, the giant mining company, was awarded to Merrill Lynch, however, at an even lower fee - 1.9 per cent. In justifying this, Merrill said this spread was a blended spread. Parts of CVRD would be sold direct to other buyers and conven tionally mergers and acquisitions business such as this carried aignificant lower

No such reasoning was available to Morgan Stanley. which bid an unprecedented 1.5 per cent to win the man date for the privatisation of Unibanco. It sent a strong signal to competitors that for Morgan Stanley, Brazil was an important place to do business.

However, the Brazil expe rience suggests that the well capitalised and aggressiva US investment banks have atolan a march on their European competition. New York's bulge bracket firms ica's biggest and most impor-



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That large management

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Companies are looking overseas to satisfy the need for large amounts of capital

If there is one broad subject that brooks scant dissent among investment bankers. allow that certain countries look less appealing, and others see specific product lines sbunned, the dominant theme is that the region as a whole is set to be a lucrative one for the industry.

"Overall, investment banking is very buoyant," says Kevin Westley, chairman and chief executive of HSBC Investment Banking. "And that is driven principally by the fact there's buge demand for capital funds around the region.

Demand is being stimulated by a number of factors. including healthy economic growth in the countries themselves which is resulting in expansion of industry

and infrastructure development. Beyond that is the shift

Many of these corporates are automatically have issued tury Bond in the yankee come to fruition mostly do themselves in a state of tran- more equity. sition as they face the next stage of expansion - which in many cases means going overseas - with a new generation at the helm.

has often been educated in the west, and is more receptive to breaking away from the traditional Asian busiit is Asia. While some will ness mould. This means. among other things, less reliance on tight family control and a desire to seek new markets overseas.

"Asian companies have come to a crossroads," says Viswanathan Shankar, who ia heading Bank of America's relatively recent thrust into investment banking in Asia. "Many of their growth ambitions obviously have a requirement for large amounts of capital, and not all that capital can be sourced from within their own domestic markets."

Realising this, Asian corporates are increasingly seeking credit ratings, and a number of home-grown ratup to serve their needs within the region. This has enabled more Asian corpotaking place within many of rates to tap the debt marthe region's big companies. kets, where once they would

These changing dynamics are reflected in the portfolios of investment banks. Fixedincome was the single biggest contributor to profits at The upcoming generation Peregrine investment Holdings, the young and thrusting Asian investment bank, last year, and the base is expected to expand further as Peregrine becomes more active in domestic markets such as Korea and India.

For Philip Tose, chairman of Peregrine, the attractive side of the fixed-income husiness is corporate. "There's no margin in sovereign," he says. You get your name in lights and lose money. It'a not my game, thank you."

Mr Shankar says the trend towards debt instruments has been further stimulated by greater acceptance - pro-European markets.

national oil company (which last autumn raised US\$1.9bn in a three-tranche offering) and Reliance Industries of India, which launched a Cen-

market.

the US, the development of opening of the floodgates pension schemes in many of from the end of last year. the markets means there domestic fixed-income instruments.

Also, Asian governments are making efforts to put in no let-up. We see more and place the infrastructure needed, particularly in terms of yield curves - issuing fairly long lead time." paper of ever-increasing maturities to build out the the traditional stamping curve, despite the fact that many of the governments run balanced budgets and have little real oeed of loans. Bonds are also expected to

play a greater role in funding infrastructure projects. moted in turn by yield following the landmark deal plck-up and desire for for China's Zhuhai Highway greater diversification - of last summer. Some \$200m Asian paper in the US and was raised, and ratiogs agency Standard & Poor's As examples, he cites the hailed the deal as the first global bonds placed by genuine non-recourse infraings agencies have sprung Petronas, Malaysia's structure bood issue by a Chinese borrower in the cross-border bond markets. The issue was lead-managed by Morgan Stanley.

For now, such projects as so many alternative coun- the right price, and are you

so with the help of project A parallel trend, says Mr finance. While it is a sector Westley, Is the growth of in Asia which has tended to domestic bond markets generate more profile than within Asia. While still thin actual results in the past, compared with Europe or bankers report a massive

"I see the pipeline of our will be bigger pools chasing own business, and it's buge," says Robert Fallon, head of Chase Manhattan Bank'a Asia-Pacific division. "I see more project financings being lined up, and there's a

Chase is venturing beyond ground of China and the Asean countries, and is assessing opportunities in Vietnam and Laos. As well as infrastructure and power, there are petrochemical-related projects in Thailand and resource-based ones in Indonesia.

However, the jury is still out on China, where the lack of a clear legal framework (meaning rules or tariff mechanisms can suddenly be changed) has bampered a number of urgently-required power plants and roads. Some banks remain wary, particularly when there are



Beijing: the jury is still out on China

tries seeking finance. Otbers, like Mr Westley. take comfort from China's growing pile of foreign reserves, which oow stands at over \$100bn.

"Bankers are looking much more now at rooveoare you building the right plant in the right place for

amount of electricity at those prices?

any major project in most and the whole area of derivaplaces in the world."

Project finance is just one is going to play a bigger and of the areas bankers are bigger role as we go forward looking to capitalise upon this year, and demonstrates and bigger capital the changing profile of resources."

going to be able to sell that investment banking in the region.

As Mr Tose notes: "Pure "These are the same ques-tions as you would ask of a very thin margin business. agency business is becoming tives and structured trading - and that requires bigger

Eastern Europe: by Anthony Robinson

Big economies attract interest

Poland and Romania are expected to be the main draws for investment

Restructuring privatising broad swathes of former communist Europe's two years is likely to settle industrial, banking and ser- on the bigger economies, vice industries is proving especially Poland and good but increasingly competitive business for US and European investment banks. Much of central Europe is demanding increasingly sonhisticated services as the level of foreign investment and integration into the global economy proceeds

However, the picture is still patchy. Bulgaria is facing the untested rigours of a currency board system in a last-ditch attempt to ward off a second default on its foreign debt in seven years while Serbia is facing an economic black hole, Russia, for all its progress in reducing inflation and stabilising the economy, remains starved of investment and is still awaiting political clear skies and a return to economic growth.

Hungary, which has been the focus of much investment banking activity over the past two years, demonstrated how a looming debt crisis can be the best way to persuade socialist governments that privatisation is a good thing, especially if it can be arranged quickly and with competitive bidding to obtain the best terms.

A raft of industrial and otility privatisations over the past two years brought more than \$5bn in foreign investment into Hungary and kept investment banks busy. The bulk of Hungary's "crown jewels" bave been sold off. A handful of substantial deals are still in the offing, however, including an initial public offering by Matav.

N.M. Rothschild and Credit Suisse First Boston led the first two privatisation stages which left 67 per cent of Matav, the telecommunications company in the hands of Magyarcom, the Deutsche Telekom and Ameritech consortium. Merrill Lyncb recently won the tender to prepare the third stage, an IPO through which Magyarcom will cut its stake in

Matav to 51 per cent. Thanks to the influx of foreign capital, technology and management Hungary's in debt trading, foreign overall economic perfor- exchange and trada finance. mance, and especially export competitiveness, has sharply improved. Credit Suisse First Boston's Janos Bartha notes that over the past few months Budapest has started to enjoy a virtuous circle of declining domestic and foreign debt, lower inflation and falling interest rates. As debt levels and interest rates fall, Hungary enjoys ever tighter terms on a foreign debt which once threatened

asphyxiation. With the Hungarian experience in mind Bulgaria's socialist government reluctantly launched itself on a similar path with a crash privatisation programme, two highly successful IPO's Sofia hopes to raise \$1.2bn on international markets, this year, of which possibly Piva and Zagrebacka Banka. up to \$500m will come from

stake in the telecommunications company. Six leading investment banks, including Deutsche Morgan Grenfell, are competing for the mandate which is expected to be awarded in mid-February.

Meanwhile, the main focus of attention over the next Romania, and with less conviction, on Russia and Ukraine.

Poland, populous and fast growing, and Romania, whose stock is rising high on the back of what appears to be a democratic, reforming government, are expected to. be the main draws for investment hankers over the rest of the decade.

In Warsaw, the political static level is likely to increase sharply as elections in the autumn loom closer. But several big deals are in the pipeline. They include an IPO which will mark the first stage in the privatisa-tioo of Bank Handlowy and a start to the privatisation of Polska Miedz, the copper and ailver combine and Polska Bank Handlowy, Poland's

biggest bank, is being advised by Schroders. It is fighting to retain its leading role in foreign exchange and trade finance, its former monopoly, while developing its corporate finance and general banking business. It is also seeking a strategic investor to strengthen its capital base and compete in a market increasingly crowded by German, Dutch and US banks. Elsewhere, HSBC is advising the government on privatisation of Warsaw-based PBK bank while Stalexport, a leading Polish steel company, is breaking new ground by issuing the first Londonlisted convertible eurobond

by a Polish company.
Guy Harrington, of Schroders, points out that the London-based banks were quick to spot Poland's potential while the hig US houses initially preferred Prague, where rapid formal privatisation has not yet been followed by enterprise restructuring on the expected scale. German, Dutch and Aus-

trian banks are also increasingly active in the region, especially ABN-Amro and ING which has built a strong stake in Poland's Slaski bank and a thriving business Germany's Kommerzbank has a stake in Poland's Export Development Bank while other German banks have followed the influx of private small- and mediumsized companies seeking both a low-cost production base and a growing market.

Vienna-based EPIC was among the pioneers in Slovsnia and Croatia and recently won the tender to privatise Poltava, a big Ukrainian light bulb company. Union Bank of Switzerland, meanwhile, retained close links with Croatia while it was still at war and was lead banker in Croatia's

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For information please contact Kenneth A. Lopian, Senior Vice President, (212) 815-2084 in New York or Christopher R. Sturdy, Vice President, (0171) 322-6318 in London. E-Mail: ADR@BankofNY.com © 1996 The Bank of New York Member FDIC

1996 was a year to remember. Just ask our clients.



Sconio Aktiebolag

SEK 19.8 billion **Global Offering** Joint global co-ordinator

Roiltrock Group PLC

GBP 1,929 billion Combined offers of 500m ordinary shares by the Secretory Joint global co-ordinator af State for Transport Sole globol ca-ordinator, bookrunner and financial adviser to HM Government

Portugal Telecom, S.A.

PTE 149.5 billion Global Offering



Zurich insurance

USD 732 million Global Convertible Offering Bookrunner and lead manager



Compañía Anónima Nocional Teléfonos de Venezuelo (CANTV)

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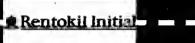
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USD 1.144 billion **Global Offering** Joint globol co-ardinator



Rentokil Initial pla

GBP 2.2 billion Acquisition of BET PLC Joint underwriter ond lead broker

GBP 800 million Revalving Credit Focility Joint arranger and underwriter



Samsung Electranics

USD 150 million Glabal Convertible Offering Bookrunner and lead



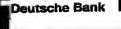
ENI S.p.A.

ITL 9.059 billion Secondory Offering Sale lead monager and boakrunner of the **UK** tranche



Fuji Bank

JPY 210 billion Global Convertible Offering Joint bookrunner ond lead manager



Deutsche Bank

leod manager

CHF 100 million International Convertible Offering Joint bookrunner and

Kvoerner ASA

GBP 904 million **Acquisition of Trofalgor House** Finoncial adviser

GBP 450 million Multi-currency Term Loon Focility Joint orronger



Tetro Laval Group

Finoncial adviser and provider of financing focilities to the Tetra Laval Group



THORN EMI

Adviser to THORN EMI an the demerger af its worldwide consumer rentol and rentol-purchase **business**



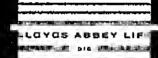
PowerGen

AUD 2.428 billion Financial adviser on the acquisition of Yallourn Power Station and Mine in Victorio, Australio



Forestry Corporation of **New Zealond Limited**

NZD 2.026 billion Adviser to the New Zealand Government on the sale of Forestry Corporotian of New Zeolond Limited to a Fletcher Chollenge Limited Cansortium



Lloyds Abbey Life plc

Adviser and braker to Llayds Abbey Life on the ocquisition of the minority interest by Lloyds TSB



Swebus AB

SEK 2.5 billion Adviser to 5J, the Swedish State Railway, on its disposol of Swebus



Banco Economico Excel S.A.

Exclusive financial adviser on the restructuring ond subsequent sale to Banca Excel of Banco Economico



SEK 2 billio Recommended Offer for Farshedo Adviser

BANCO BANDEIRANTES

Banorte (2)

Banco Bondeirantes S.A. and Banca Bonorte

Merger with Bonco Bonorte to form ane of the lorgest private Brozilian banks Joint adviser to Banca **Bandeirontes and Banco** Banorte



United Mexicon States

USD 6 billion Floating Rote Notes due 2001. Joint bookrunner



The Russian Federation

USD 1 billion 9.25% Bonds due 2001 Joint bookrunner



United Kingdom

USD 2 billion 6.75% Bonds due 2001 Joint bookrunner



Republic of Italy

USD 1.5 billion 7% Notes due 2001 Joint bookrunner



International Bank for Recanstruction and Development

USD 1 billion 6.625% Globol Bonds due 2006 Joint bookrunner



TMCC

DEM 1 billion 4.875% Euro-Asian Issue due 2001 Joint bookrunner



Nestlé Holdings, Inc.

DEM 500 million 5.125% Notes due 2001 Bookrunner



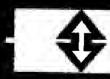
Republic of Portugal

FRF 4 billion 6.625% Bonds due 2008 Joint bookrunner



Abbey National Treasury Services plc

CHF 500 million 4% Bonds due 1999 Joint bookrunner



Export-Import Bonk of Koreo

USD 500 million 7.125% Notes due 2001 Joint bookrunner

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